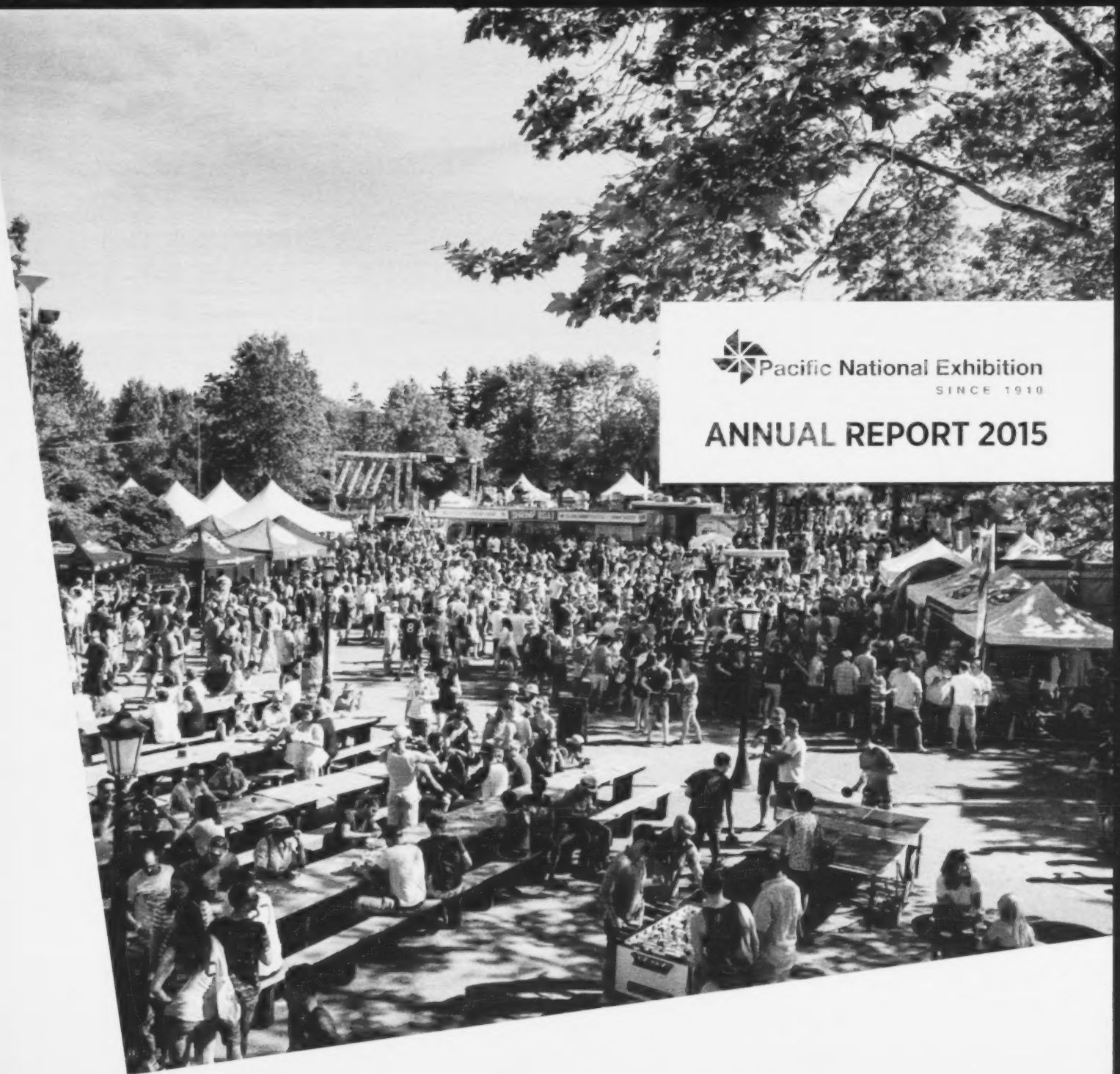

Pacific National Exhibition

SINCE 1910

ANNUAL REPORT 2015

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THE BEAST

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

We would like to start by reflecting back on the past decade of this amazing organization. The PNE has seen growth across all business streams, has made investments in facilities, park space and attractions, celebrated its 100th Anniversary, hosted the 2010 Olympics, succeeded in bringing a temporary Empire Stadium to life, successfully moved several Hastings Park Master Plan projects forward, improved our sustainability practices and implemented a successful new Governance structure. This has been no easy task but it is certainly an exciting road and we are proud of the work done and of our team's commitment to the work yet to come.

The fiscal year of 2015 was a perfect example of the complexity, flexibility and resiliency of this organization. The strongest Playland and Fright Night seasons on record were tempered by a wind storm that hit the lower mainland leaving over 700,000 households without power for several days during the Fair and significantly impacting Fair attendance and revenues. And while currency exchange rates negatively impacted concert business, that same shift positively affected film activity on site and throughout BC. Industry trends, currency fluctuations and weather required the PNE to effectively and strategically balance plans for growth and investment against uncontrollable external influences. This is what the PNE does so well, to proactively mitigate and adjust course each year while continuing to build new businesses and invest in crucial growth.

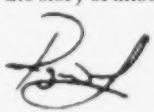
In 2015, the PNE generated $48.84 million in total revenues (a 6.2% increase over 2014) and $115,467 in positive net income despite experiencing the worst weather the Fair has seen in a decade. The organization implemented year three of a five year strategic plan to rejuvenate the Fair. This included continued investment in marquee, one time only shows and exhibits as well as the addition of a marquee feature show in the Pacific Coliseum (Broadway musical Peter Plan) that would make the Fair a "must see" for families. Prices were kept low and we remained closed on the first 2 Mondays per the foundation set in year one and two of the strategy. As a result of the storm, however, the Fair saw its lowest attendance in 15 years and a 7.7% decrease in revenues. As the Fair accounts for such a significant proportion of overall revenues, this had an impact of over $3 million.

In Playland, strategic investment was made into a new extreme thrill ride called "The Beast" resulting in record breaking attendance for both Playland and Fright Nights. Excitement for the new ride was also buoyed by a long, dry, warm summer. As a result, Playland total revenues were up by 19%, net income was up by 23% and attendance was up by 6.7%. Fright Nights also saw record attendance of almost 84,000 visits, an increase of 13% over 2014. Good weather helped to support Fright Nights as did a new live show and expanded footprint.

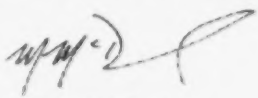
Year Round events had a very strong year with diversified trade and consumer show business and increased film revenues. Although concert business was down, this PNE portfolio saw a 22% increase in total revenue and 39% increase in net contribution. In summary, 2015 was an incredibly positive year in that the organization not only delivered a positive net income for the year but did so despite Fair revenues being so down. The PNE has delivered positive net income in 9 of the last 12 years with all proceeds being invested back into the site and organization. This is over and above both the $6 million budgeted annually for park and facility maintenance and all capital investments made by the PNE into the site.

Implementation of the Hastings Park Master Plan also continued. The PNE remains committed to the greening of Hastings Park and to keeping the organization financially strong while implementing projects that increase habitat, canopy cover and bike/pedestrian connections throughout the park. Specifically in 2015, Empire fields were reopened to the public, identity and wayfinding signage was expanded and a new Governance structure was implemented. Work continues on several additional projects and we will continue to embrace working with the City of Vancouver on the development of this vibrant urban public park. Sustainability and helping the City of Vancouver achieve its Greenest City Action Plan goals remains a top priority for the PNE.

We would like to acknowledge that our successes come from the efforts of staff and management, by providing a foundation of forward thinking and resilience to withstand challenges. We would like to take this opportunity to personally thank the PNE staff team for their tireless effort and the Board of Directors for their ongoing guidance and support to the organization throughout the year. We look forward to making continual improvements to the park and remaining active members of our community. We believe that our teams deep rooted history at Hastings Park and within this community has kept us strong. That strength is evidenced again in 2015 as we share the story of another successful year at this iconic organization.

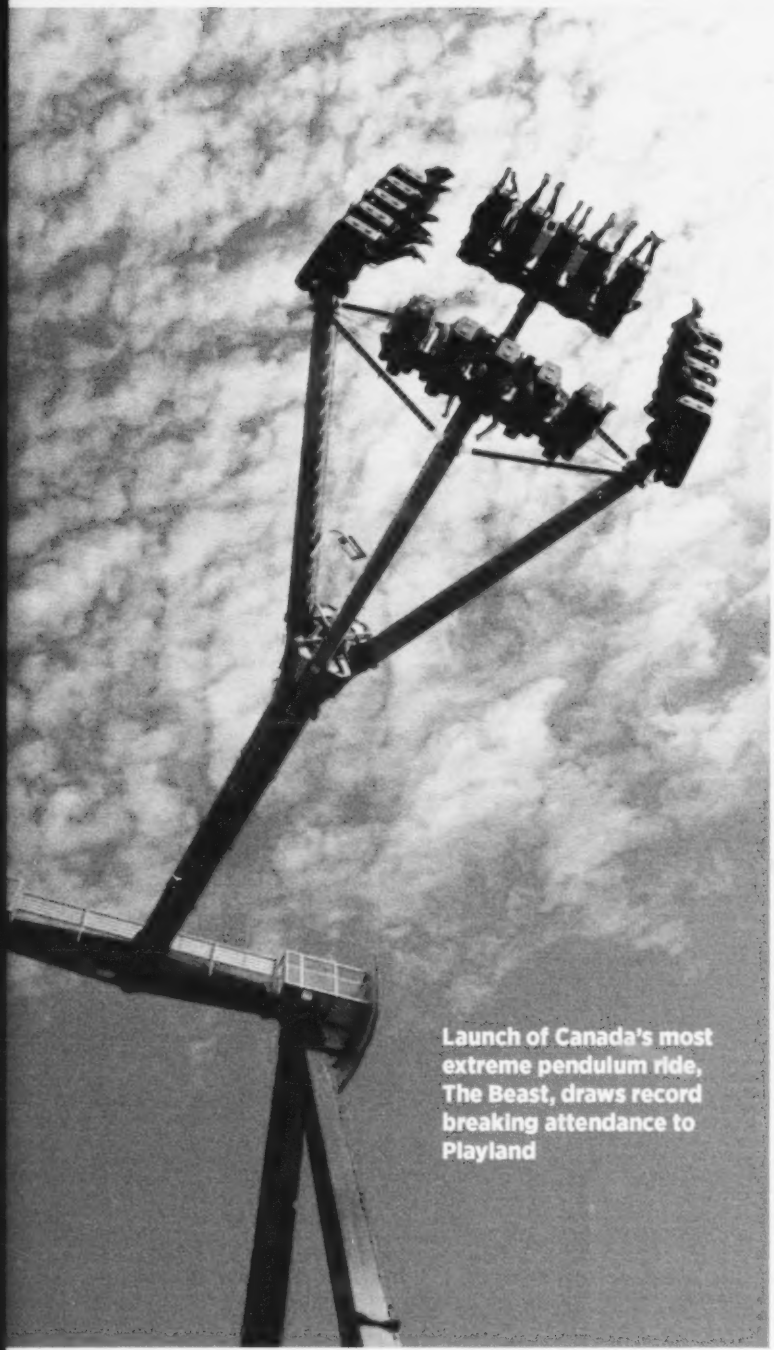


Raymond Louie
Chair, Board of Directors



Michael McDaniel
President and
Chief Executive Officer

HIGHLIGHTS FROM FISCAL 2015



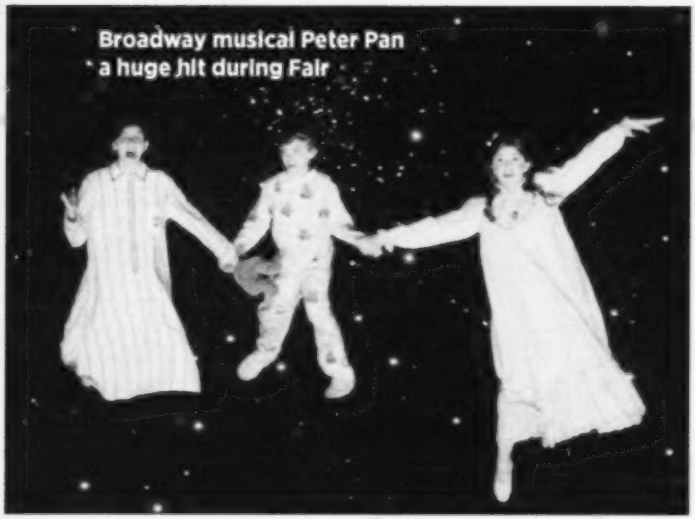
Launch of Canada's most extreme pendulum ride, The Beast, draws record breaking attendance to Playland

Unprecedented windstorm results in Fair attendance being 10% down

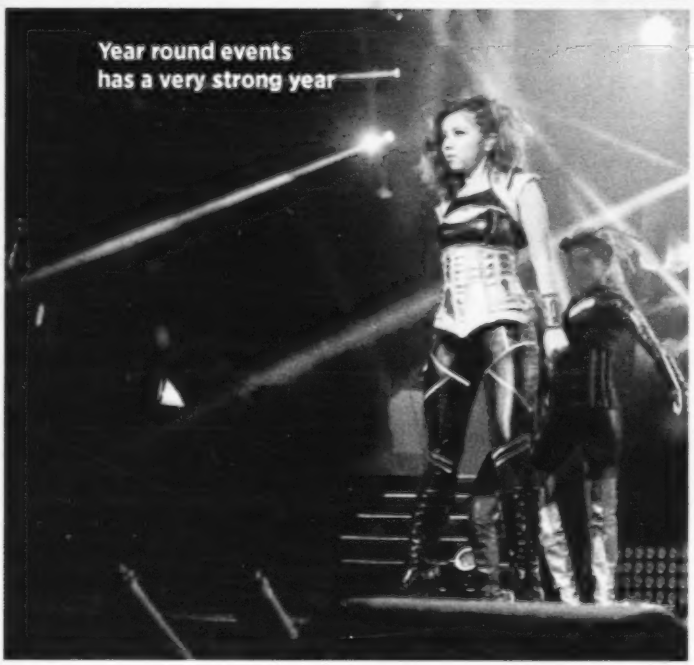
Another year with positive net income for the organization

Fright Nights draws record crowds

(APRIL 1, 2015 – MARCH 31, 2016)


Broadway musical Peter Pan a huge hit during Fair

Thousands experience new Craft Beer Fest during Fair


Year round events has a very strong year

Sustainability and community investment remain top priorities

INTRODUCTION

The successful operation of attendance based, weather dependant business activities such as the PNE's requires a delicate balance of continued investment and fiscal responsibility, ability to effectively grow a business while being ready to mitigate losses at any moment. This is where a flexible, knowledgeable and effective management team thrives. And the 2015 fiscal year certainly had its ups and downs. It was a perfect example of how weather can negatively affect the Fair's finances by millions of dollars and at the same time, Playland and Fright Nights can have record seasons while the year round events portfolio also thrives resulting in the a positive net income. The PNE has been able to deliver a positive net income in 9 of the past 12 years and at the end of 2015 fiscal year, the PNE's accumulated operating surplus was $1.332 million. As a non-profit organization, all surpluses are invested directly back into the organization, grounds, events and facilities.

Heading into fiscal 2016, the future remains very bright for this organization. Continued implementation of the approved Master Plan for Hastings Park is providing a solid foundation for the organization's growth as well as for enjoyment of the site by guests and the local community. In addition to Master Plan developments, a five-year plan to reinvigorate the Fair at the PNE is on track and continued investments into Playland and Fright Nights attractions are keeping guests engaged. Continuing to diversify the year-round event portfolio and the execution of new business development ideas will provide a strong basis for ongoing success. Sustainability remains at the forefront of our planning and in all that we do, the PNE remains committed to helping achieve Vancouver's Greenest City Action Plan, Healthy City Strategy and Urban Forest Strategy.

THE PNE'S ROLE AT HASTINGS PARK

Hastings Park was granted to the City of Vancouver by the Province of British Columbia in 1889 as part of the Hastings Park Trust. At over 165 acres, it is one of Vancouver's largest urban parks, drawing visitors from across the region. Hastings Park is a community, city-wide and regional asset and a year-round destination. It is a celebration site and a social gathering spot that brings people together for organized events as well as unorganized activities.

Since 1910, the PNE has run its operations from Hastings Park. For over 100 years, it has hosted an annual Fair at Hastings Park and now operates Playland amusement park from April to October each year. In recent decades, the mandate of the PNE and Hastings Park has expanded to include a more comprehensive array of activities and year-round use of the many venues. This activity not only contributes to the PNE's $145 million economic benefit to the region, but also contributes to the creative economy as a year-round outlet for family shows, concerts, exhibitions, community events and cultural activities. The PNE also proudly cares for the parks and open spaces on-site.

In January 2004, the PNE became a non-profit wholly owned subsidiary of the City of Vancouver. The PNE manages 105 acres of Hastings Park on behalf of the City. The racetrack is operated by the Great Canadian Gaming Corporation through a lease with the City, Empire Fields and the Hastings community centre space are operated by the Vancouver Park Board on behalf of the City, and the E-Comm 9-1-1 call and dispatch centre is operated by Emergency Communications for British Columbia.

THE STRUCTURE OF THE PNE

The PNE business structure is made up of four activity streams, three of which generate revenue. The most significant and well-known of the four activity streams is the Fair at the PNE, an iconic 105-year-old summer event that draws an average of 800,000 guests each year from across British Columbia to be entertained and to experience a range of foods, shows, rides and exhibits. This event accounts for almost 50% of the PNE's annual revenues. The PNE's second activity stream is Playland Amusement Park. Playland, which is open from April through October each year, entertains more than 375,000 guests (outside of Fair-time) with games, food, and 35+ rides and attractions. This activity stream accounts for approximately 25% of the PNE's annual revenues. The third activity stream is the year-round events portfolio. This includes the use of all of the on-site facilities to host concerts, sporting events, festivals, and cultural and community events. While some facilities on-site are dedicated primarily to community programs, which are subsidized by the PNE, year-round events account for the remaining 25% of the PNE's annual revenues. The fourth activity stream is park development and facility maintenance. The PNE is solely responsible for the care and upkeep of indoor facilities such as the Pacific Coliseum, Forum, Agrodome, Rollerland, Livestock building and Garden Auditorium. The PNE also ensures that outdoor spaces—including the Sanctuary, Italian Gardens, Momiji Garden, the centre grounds and all outdoor spaces within the 105-acre border—blossom and thrive for guests and the local community to enjoy. The organization has specially trained gardening teams on staff to ensure that the public park spaces remain in their naturally intended states. To ensure best practices for park spaces, the PNE collaborates with Vancouver Park Board staff throughout the year, and their valuable input is reflected throughout the site. While management of facilities and the park space does not generate revenues, the care of the facilities and grounds is a regularly budgeted expense. In 2015, the PNE invested approximately $6 million into facility and park care, of which approximately $3 million was dedicated to outdoor space to ensure that these public spaces remained well taken care of and ready to be enjoyed year-round.

> **"Because Hastings Park is so vibrant and active, some people think we are a commercial company, but the PNE is — and always has been — a not-for-profit organization. One hundred per cent of proceeds are invested back into the site, facilities and programs, and into the upkeep of green spaces."**

The PNE is governed by a Board of Directors that includes business and community leaders, as well as elected officials and senior staff from both the City of Vancouver and the Vancouver Park Board. Because Hastings Park is so vibrant and active, some people think we are a commercial company, but the PNE is—and always has been—a not-for-profit organization. One hundred per cent of proceeds are invested back into the site, facilities and programs, and into the upkeep of green spaces.

The PNE has proudly managed and governed Hastings Park since it was granted in trust to the City more than a century ago. During that time, the PNE has gained 105 years of experience with, and knowledge of, this unique site. The fine balance of community and commercial uses on-site is essential to providing the financial flexibility for the PNE to invest millions annually in supporting community use of the site and in enhancing park spaces.

DID YOU KNOW

The PNE is a non-profit organization and, as a financially viable non-profit entity, all profits are invested back into the site, facilities and programs.

The organization is owned by the City of Vancouver and is governed by a Board of Directors that includes business and community leaders, senior staff from the City of Vancouver and Park Board and a City of Vancouver-elected official.

Twice a year, the PNE has open Board meetings, where community members can come and speak to relevant issues that affect them.

The PNE spends $6 million every year to care for and enhance the park space and maintain the site facilities.

As the largest employer of youth in British Columbia, the PNE provides a wide range of much-needed first jobs that build essential skills for the next generation of workers and leaders.

HASTINGS COMMUNITY LITTLE LEAGUE DAY AT PLAYLAND

THE PNE'S ROLE IN THE HASTINGS SUNRISE COMMUNITY

For 105 years, the PNE has proudly been at the heart of Hastings Park and the Hastings Sunrise community. The organization remains dedicated to positively impacting the neighbourhood and working hard to mitigate any negative impacts from events held on-site. And while the PNE receives unparalleled support from many neighbours and from the vast majority of Vancouver residents, the PNE management team remains committed to consulting with the community and enhancing our positive influences now and into the future. Two avenues through which they do this are the PNE Neighbourhood Focus Group and the PNE Community Advisory Committee.

The PNE supports a variety of local community activities through the direct financial subsidy of several on-site programs. This includes providing over 2,000 hours of community ice programs in the Agrodome, at rates equivalent to those offered by community rinks, to 16 hockey and skating groups throughout the year. The largest users of this space continue to be the young hockey players in the Vancouver Minor Hockey Association and the figure skaters in the Vancouver Skating Club. For 13 years, the PNE has also provided the CircusWest training school with a low-cost home in the Garden Auditorium for their exclusive use 11 months of the year. The PNE partners with local schools, sport groups and non-profit organizations to support initiatives from fundraising to student leadership. As part of those partnerships, the PNE provided complimentary space and management support to a variety of events coordinated by neighbourhood groups in 2015, including the Community Policing Centre Volunteer Appreciation Dinner, special nature walks hosted by Hastings Park Conservancy, the LightWaterDrums Festival, Kiwassa Neighbourhood House, Templeton School Hub Grade 7 Conference, Radiant Heat fire performance troupe, and the Nikkei National Museum and Cultural Centre walking tour of Hastings Park. As well, throughout the year, the PNE makes use of the electronic readerboard at the corner of Hastings and Renfrew to run complimentary messages for local non-profit groups such as the Hastings Park Conservancy, the Terry Fox Run and BC Transplant, in addition to promoting events happening on-site.

The PNE is also one of the largest local supporters of the Hastings Community Little League (HCLL). For over 50 years, the HCLL has provided thousands of children with the opportunity to have fun while being active and learning valuable skills such as teamwork. The PNE provides a complimentary Playland PlayPass to 425 league players each year, plus free indoor practice space. The PNE also provides the organization with fundraising opportunities to help fund upgrades to the ball diamonds, as they will be hosting the 2016 Little League Canadian Championships. These efforts include HCLL Community Day in Playland, where $10 of every purchased Playland admission is donated to HCLL. In 2015, over $18,300 was raised for HCLL through this initiative. In total, the PNE has raised more than $85,700 for HCLL since 2010.

2015 marked the 10th Anniversary of the PNE hosting a Terry Fox National School Run Day on-site. Ten schools from the Hastings Sunrise area participated in raising awareness and funds for The Terry Fox Foundation. The PNE provides complimentary logistical support as well as snacks and water; this year, 1,432 kids ran a course in the park to promote physical activity, to help increase cancer awareness and to honour Terry Fox.

The PNE also proudly introduced several new community initiatives in 2015. First, an exciting new event was launched in order to build on the success of the PNE's annual community BBQ at Hastings Park. The PNE decided to take this event to the next level to say "thank you for being great neighbours" – thousands of local residents were invited to Playland on June 26 for a free private event. In its first year, 2,947 neighbours attended and enjoyed a great night filled with rides, games and mini donuts. The PNE looks forward to making this an annual neighbourhood celebration.

As well, in fall 2015, the PNE partnered with the Vancouver Farmers Markets society to launch a Hastings Park winter farmers' market. It was so well received that the market was continued through spring. In total, almost 17,000 people shopped the market over a 21-week period. Each week 35-40 vendors would come out and sell a wide variety of local produce, meats, fish, jams, and artisan and baked goods. This resulted in more than $480,000 in sales for local vendors. Vancouver Park Board farmers' market rates are used and the PNE subsidizes the program by $10,000 each year by incurring all additional operational costs. This includes the set-up of garbage/recycling/compost bins; waste pickup; the set-up of bike racks, heaters, power and tents; and pre- and post-event cleaning, as well as providing washrooms, picnic tables, signage, promotion, and operational support as needed.

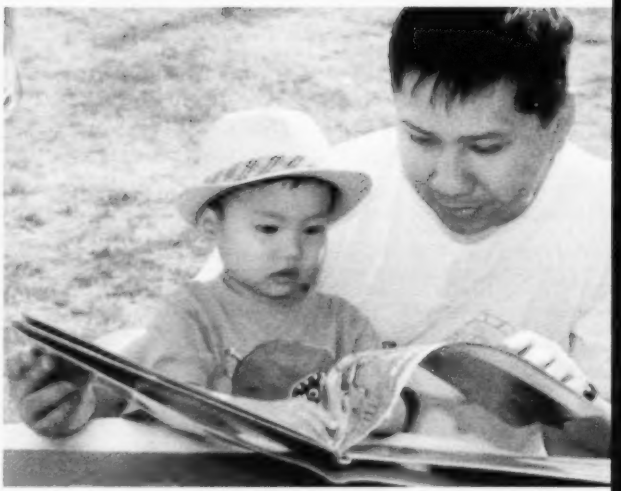
The PNE has also partnered with the Vancouver Park Board and the Freshwater Fisheries Society of BC (FFSBC) to build a Learn to Fish program in the Sanctuary over the past couple of years. As is done in over 80 freshwater ponds in Greater Vancouver, this program calls for the Sanctuary to be stocked by the FFSBC with rainbow trout during the spring and fall. The Learn to Fish program provides the opportunity for local adults and youth to learn about fishing. The program is designed for anglers to fish from the dock on the north end of the Sanctuary; all users 16 years and older require a fishing licence. In 2015, 3,500 rainbow trout were added to the Sanctuary for this purpose.

Prior to the implementation of the Learn to Fish program, there was consultation with a Small Lakes Biologist from the Ministry of Forests, Lands and Natural Resource Operations to ensure there would be no negative effects on the ecosystem. FFSBC also oversaw water quality assessments, evaluation of oxygen and pH levels, and conductivity, temperature and depth profile testing. An aeration system was installed to provide better oxygen to aquatic life. In 2015 there were 2,192 hours of fishing documented by video motion throughout the year, and an additional 3,400 guests participated in the Learn to Fish program during the Fair. The habitat is closely monitored to minimize any impacts on the more than 125 species currently sharing the Sanctuary space.

The PNE recognizes that large celebrations and events bring positive impacts – and sometimes negative ones – to the surrounding community. The PNE is proud of its programs that support the local community and that help minimize those negative impacts. In 2015 the PNE formed a new Community Advisory Group following the Hastings Park/ PNE governance review. This group of 8 local and city wide representatives were selected through an application process. They provide constructive input and feedback to PNE staff regarding items such as on site programming, implementation of aspects of the Hastings Park/ PNE Master Plan and operational issues that affect the local community, city or region. The CAG meets 6 times a year with PNE management.

In 2013, the PNE began a Neighbourhood Focus Group consisting of approximately 20 local neighbours who meet twice per year with the PNE senior management team to provide open feedback, discuss issues

and provide input on ways to mitigate negative impacts, as well as to discuss how best to build on the positive aspects of the PNE's role in the community. Current programs developed to minimize negative impacts on the neighbourhood during large events like the Fair, and to help keep the residential areas clean and safe, include the PNE's Neighbourhood Clean-Up Crew and Neighbourhood Bike Patrol. The Clean-Up Crew goes out during Fair, during the Playland season and during Fright Nights. The Bike Patrol is out in the community during the Fair, at Fright Nights and at many Coliseum events. As well, the rental of parking lots from local schools during the Fair helps reduce neighbourhood parking impacts while providing the schools with funding to support the programs of their choice. The PNE engages local businesses and residents with complimentary tickets to attend PNE events; it also provides complimentary window painting to businesses in the Hastings North Business Improvement Association, offering them an opportunity to get involved with the Fair. To further help local avid park users, the PNE ensures that residents in the Hastings Sunrise area have access to special passes that allow them to continue to enjoy paths for jogging and other regular park activities during the 17 days of the Fair.



GIVING BACK IN 2015

Although the PNE is itself a non-profit organization, we continue to take great pride in generously giving back to other local organizations that are doing work to support our shared communities.

- In 2015, more than 15,500 tickets were provided to local residents so they could come and enjoy PNE events. This is a 12% increase over 2014 and we continue to see growth in this program year over year.
- 558 non-profit organizations and kids' programs received a total of 3,572 tickets through various ticket donation programs in 2015. Although the groups who receive ticket donations change from year to year, some of the recipient groups for 2015 included Ronald McDonald House BC, the Heart and Stroke Foundation, the YWCA, and Variety – The Children's Charity.
- Over 2,200 tickets were donated to 16 schools and several local organizations through our community ticket donation programs. Recipients included local elementary and high schools, as well as local community groups like the Hastings Community Policing Centre, Kiwassa Neighbourhood House and the Hastings North Business Improvement Association.
- Now in its sixth year, the PNE Youth Council brings together 12 community-minded youth aged 16–18 from across the Lower Mainland. The council, which provides these youth with leadership opportunities, allows its members to learn more about the PNE and a range of business topics. This year, council members represented West Vancouver, Vancouver, Burnaby, Richmond, Surrey, Coquitlam and North Vancouver.

THE PNE'S ROLE BEYOND HASTINGS PARK

IMPACT ON THE ECONOMY

The PNE is a strong driver of the local economy, averaging total revenues of $47.8 million each year across its four activity streams ($44.1 million–$51.5 million, with a seven-year average of $47.8 million). An economic impact study conducted by Pannell Kerr Forster in 2002 estimated that PNE activity streams contributed an estimated $139.1 million share of the value-added gross domestic product (GDP) for BC (in 2002 dollars) with $115.2 million of this generated in the Vancouver census metropolitan area (CMA). These same PNE activities provide $94.7 million each year in staff wages in BC, $80.0 million of which was retained in the Vancouver CMA.

Economic contributions specific to each activity stream are as follows.

Playland welcomes over 375,000 guests annually (300,000 to Playland during its regular season, plus an additional 75,000 each year to Fright Nights), and generates hundreds of local jobs and approximately $11.5 million in gross revenues annually ($10.6 million–$14.3 million, with a seven-year average of $11.9 million).

The 17-day Fair at the PNE averages 800,000 guests each year (678,193–937,000, with a seven-year average of 788,484 guests). The Fair also generates $24 million in revenues each year ($22 million–$26.1 million, with a seven-year average of $24 million). Total economic impact of the Fair on British Columbia specifically on GDP is over $58 million, $30 million in salaries and wages, and $25 million in total taxes. (Source: Demand-Side Economic Impact Reporting for Industry Canada conducted by EventCorp in 2010.)

Year-round events at the PNE such as concerts, sporting events and film, cultural and community events generate total revenues in excess of $11 million annually ($8.9 million–$13.7 million, with a seven-year average of $11.3 million). The PNE organization also invests approximately $6 million annually in facility maintenance and park development.

A STRONG INFLUENCE ON TOURISM

The PNE is also proud to contribute to local, provincial and national tourism efforts and supports a strong tourism market in a number of ways. For example, the Fair draws 85% of its guests from the Lower Mainland, 11% from elsewhere in BC and 4% from beyond the province. Approximately 11% of guests travel more than 80 kilometres to visit the Fair. An independent research study commissioned by the federal government in 2010 showed that 86% of those guests who travelled more than 80 kilometres said that either Fair influenced their trip or was the main purpose of their trip. A large proportion (65%) of those guests stay over each year in the Vancouver area, for an average of 3.5 nights each. Approximately 40% of overnighters use commercial accommodations, resulting in more than $1.7 million annually in spending on lodgings. And more than 20% of Fair guests extend their travel to other regions of Canada, resulting in additional spending of over $5.5 million each year. Through the Hastings Park Master Plan and Playland re-development plan, the PNE looks forward to expanding Vancouver's tourism content by providing an accessible, world class attraction with enhanced public amenities for residents and tourists to enjoy.

VANCOUVER FARMERS MARKETS
HASTINGS PARK WINTER MARKET

THE FUTURE AT HASTINGS PARK

MASTER PLAN PROGRESS

In December 2010, after five years of public consultation, City Council adopted the Hastings Park/PNE Master Plan to guide the long-range redevelopment of Hastings Park. The Master Plan, a road map for the renewal of Hastings Park, guides the capital investments needed to align with the overall vision of the site as a multi-purpose destination for economic development, culture and entertainment, and as a park and public gathering space for the local community as well as for residents across the city and the region. It is a 20-30-year $200–$300 million plan (in 2010 dollars).

As part of the adoption of the Master Plan, City Council also requested a governance review of Hastings Park/PNE. After three years of study and public consultation, in August 2013, the Council approved a new governance structure under the authority of a new PNE/Hastings Park Board and outlined the Board's mandate to provide policy direction for the multi-faceted activities at Hastings Park as well as oversight for the implementation of the Council-approved Hastings Park/PNE Master Plan. This decision allows the PNE and the PNE Board of Directors to plan holistically for the future while keeping the long-term interests of the PNE, park space and increased community involvement in mind. An eight-member Community Advisory Group was also instituted to ensure open, transparent communication between the PNE and members of the local and city-wide community.

The vision of the Master Plan was to transform Hastings Park into a greener year-round destination with space for festivals, culture, sport and recreation, leisure and fun. The Plan provides for new and renewed facilities on-site, with the amount of park space almost tripling, from 27 acres to 76 acres. This revitalized Hastings Park will provide expanded green spaces that link to the city's green corridors, quiet blooming gardens, and pathways to and from every corner of the site. Facilities will be redeveloped to enable celebrations, festivals, sports, music, and family entertainment, as well as to facilitate the growth and evolution of that beloved end-of-summer tradition, the Fair at the PNE, the largest ticketed event in BC. Playland will remain at the heart of Hastings Park, and softer landscapes and more space will allow Playland to expand and thrive as it continues to thrill families and kids of every age.

The Master Plan is also an opportunity to significantly improve the sustainability and ecological performance of Hastings Park and the PNE, consistent with Vancouver City Council's Greenest City Action Plan priorities, Healthy City Strategy and the Urban Forestry Strategy. Plans include improved energy efficiency and waste management, locally sourced healthy food options at events, increased pervious ground cover and increased canopy cover throughout the park. The PNE will continue to work with all parties to help make Hastings Park part of the Greenest City in the World by 2020. The Master Plan achieves the challenging balance of providing a significantly greener and more publicly accessible Hastings Park while renewing Vancouver's historic annual Fair and amusement park and ensuring the PNE's economic vitality and long-term sustainability.

Master Plan Projects Completed To Date

To ensure improved community access to Hastings Park, it was important that a number of greening and park access projects were completed early in the implementation of the Master Plan. Since 2010, completed projects have included:

- The redevelopment of Creekway Park as a connection from Hastings Park to New Brighton Park.
- The addition of temporary greenways throughout Hastings Park to facilitate pedestrian and bike traffic and to ensure east/west connectivity throughout the park.
- The implementation of a new signage and identity plan to improve park identity and wayfinding for guests within the park.
- Several facility improvements were also made to ensure structural integrity and seismic readiness, and to remove asbestos from within key historic buildings.

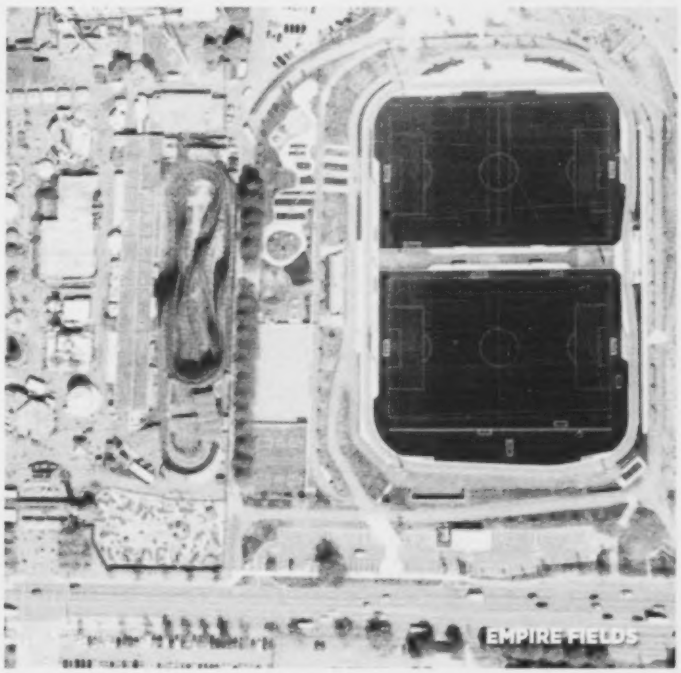
ATMOSFEAR, PLAYLAND

The most significant project completed this past year was the reopening of Empire Fields in July 2015. This transformed space included new sports fields, track and courts, and the Plateau Park for community use.

In total, since 2010 over $12 million has been spent on park access and green space projects, and $7 million has been spent on building upgrades. These projects have improved the park landscape and guest access. In the next phases of implementation, while continuing to focus on greening, investments will be made in projects that also contribute to the financial sustainability of site.

Heading into 2016, plans for the redevelopment of Playland will be considered. Playland is a valued asset to the City and supports the City's mission "to create a great city of communities that cares about its people, its environment, and the opportunities to live, work, and prosper." As originally contemplated in the 2010 Master Plan, Playland is envisioned to expand from 15 to 22 acres, significantly increase greening and sustainability and transform from an amusement park to a theme park. This expansion is designed to increase revenues as an essential part of the ongoing financial balance of the site.

Ongoing information on the Hastings Park/PNE Master Plan can be found at www.vancouver.ca/pnepark.



EMPIRE FIELDS

PNE 2015 BUSINESS RESULTS

Because so much of the PNE's revenue is based on weather-dependent events, the sun, rain and wind become regular discussion topics in each annual report. And this year is no different. A new extreme ride coupled with a hot, dry summer significantly boosted Playland to its best results in over decade, a wind storm with five days of rain was disastrous to the success of the Fair, and a beautiful fall led to a record-breaking Fright Nights season. While concert activity was down due to the high US dollar, filming activities were way up. In the end, the PNE had a very successful year, with many highs helping to balance out the Fair low, and contributing to a positive net income again this year.

In 2015, Playland launched the season with a new thrill ride – the Beast. The ride was a huge success with guests and combining this with a sun drenched summer and strong group sales activity, the park exceeded targets with record breaking attendance and revenues.

The PNE moved into year three of a five-year strategic plan to rejuvenate the Fair. The first five days of the Fair showed fantastic success, with the strongest attendance in decades. A new feature show in the Coliseum and great new attractions translated into increased attendance and enthusiasm over Fair programming. However, a windstorm on the sixth day of the Fair left the Lower Mainland devastated, resulting in over 700,000 homes without power, many for days. Rain for the next five days cut the Fair's momentum, and revenues suffered by the loss of more than 100,000 visits during the second half of the Fair.

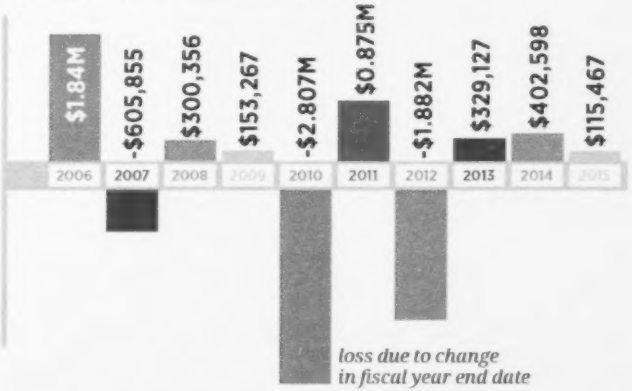
Fright Nights experienced great weather and record-breaking attendance. This event continues to gain momentum, slowed only by weather and the size of the event's physical footprint. An increased layout size and a new fire show helped to boost its growth this past year.

The year-round events portfolio continued to show solid performance through growth in trade and consumer shows, increased film rentals, ongoing strength in the electronic dance music industry, and the hosting of several unique indoor and outdoor concerts. The PNE and Hastings Park continue to provide the venue of choice for large-scale, complex events that require a wide range of resources, spaces and expertise.

Ultimately, these successes across all activity streams resulted in a positive net contribution of $115,467 to the organization for fiscal 2015. The PNE has produced a total positive net contribution in 9 of the last 12 years, with a total accumulated surplus of $1.33 million at the end of fiscal 2015. The following is a more detailed summary of both qualitative and quantitative results across each of the four PNE activity streams in 2015.

figure 1
PNE TOTAL REVENUES

figure 2
PNE TOTAL NET CONTRIBUTION



PLAYLAND

BC's premier amusement park has two key audiences that it attracts. First are teens ages 12–24 looking for the thrill ride experience; this accounts for approximately 75% of Playland's attendance. In recent years, however, Playland has made investments into more family attractions and has built a stronger relationship with families with young children. This group accounts for approximately 25% of guests and is a growing proportion. Playland is home to 38 rides and attractions as well as 20 games and 12 food and beverage outlets. In 2015, Playland was open for 93 operating days, from May 16 through September 20, welcoming 315,116 guests, a 6.8% increase in attendance over 2014 *(see figure 1 for a seven-year history)*.

A key highlight for the season was the launch of the new extreme thrill ride The Beast – the most extreme pendulum ride in Canada, swinging and spinning at 90 kilometres per hour up to a height of 125 feet. The lineups for this ride were in excess of an hour all summer long; at times, the lineup reached two hours. The rides' multi-directional seating, a first in North America, kept guest coming back to try different seat locations on the ride. The Beast was free with admission to Playland and guests loved it! It was the park's biggest hit in over a decade.

Another significant positive impact on the season was weather. While the negative impact of weather on events at the PNE is often discussed, this year the weather contributed to a fantastic season at Playland. A hot, dry summer is not great for forest fires and drought conditions, but it did support strong results in Playland. Total Playland revenues were $14.25 million, with a net contribution of $8.39 million *(see figures 2 and 3 for a seven-year history)*.

Group sales activity in Playland rebounded well from 2014 when a labour dispute resulted in the cancellation of over 15,000 year end school party visits. In 2015, the annual Science of Fun and Amusement Park Physics and Science programs brought in 26,300 student guests and 18,935 students enjoyed year end school parties in the park. In addition, 2,836 kids came as part of registered birthday parties, and 28,919 guests visited Playland through 81 different corporate VIP events held on-site throughout the season.

In summary, Playland had a great season, with an exciting new thrill ride, great weather and strong group sales efforts. 2016 will be an important year for Playland as its 10-year expansion and redevelopment plan moves forward to City Council for approval. The PNE looks forward to watching Playland morph from a 15-acre amusement park to a 22-acre theme park with a stronger family feel, additional features to enjoy, and significantly more greening and park space.

This redevelopment will help Hastings Park meet many objectives. Economic feasibility studies on attractions and demographic trends indicate an opportunity for a larger theme park in the region and support a business case for Playland's expansion. Revitalizing and greening Playland will also support the Greenest City Action Plan through energy efficiency and better waste management, Healthy City Strategy through locally sourced healthy food options and a focus on being active outdoors and the Urban Forest Strategy through increased canopy cover and increased pervious ground cover to name a few.

For ongoing information on the Hastings Park Master Plan, please visit www.vancouver.ca/pnepark.

figure 1
PLAYLAND ATTENDANCE

figure 2
PLAYLAND TOTAL REVENUES (in Millions)

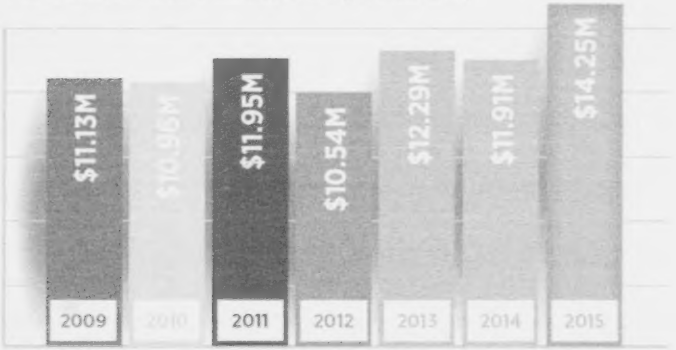
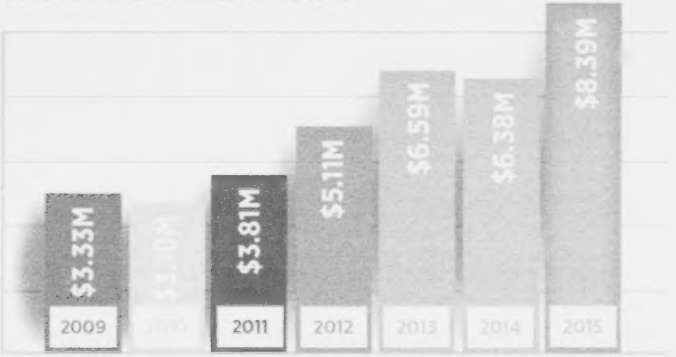


figure 3
PLAYLAND NET CONTRIBUTION



THE BEAST AND HELLEVATOR

FRIGHT NIGHTS

There really is no event quite like Fright Nights. Each year after Playland closes its doors for the regular season, the PNE team spends several weeks transforming the park into the eerily haunted world of Fright Nights. As Western Canada's scariest haunt, it is a unique nighttime event with all the excitement of 15 amusement rides, horrifying haunted attractions and roaming cast members to scare you silly. After 13 years, it truly is Vancouver's signature Halloween event. In 2015, a new fire show was added, and the overall layout was altered to facilitate a better guest experience on busy nights.

2015 was a record-breaking year for Fright Nights, achieving its highest attendance ever and scaring 83,925 terrified guests over 18 operating days. This is an incredible 16% increase in attendance over the seven-year attendance average *(see figure 4 for a seven-year history)*. Fright Nights, which was open from October 9 through November 1, was closed on slower nights such as Mondays and Tuesdays and some Wednesdays. Pricing the most popular weekend days at a premium ($34–$37), offering front-of-the-line Rapid Passes and providing cost-conscious guests with lower prices ($22–$25) on less-heavily attended days helped to spread out attendance across the 18 days and improve the guest experience on the busiest evenings. As during Playland and Fair, The Beast was a guest favourite during Fright Nights.

Fright Nights achieved revenues of $3.43 million *(see figure 5 for a seven-year history)* and contributed $2.24 million in net income towards the Playland activity stream *(see figure 6 for a seven-year history)*. This was Fright Nights best year yet and it continues to make for a spooktacularly terrifying experience each fall.

Note: Fright Nights revenues are included in the Playland total; they are broken out separately in this section for comparative purposes only.

figure 4
FRIGHT NIGHTS ATTENDANCE

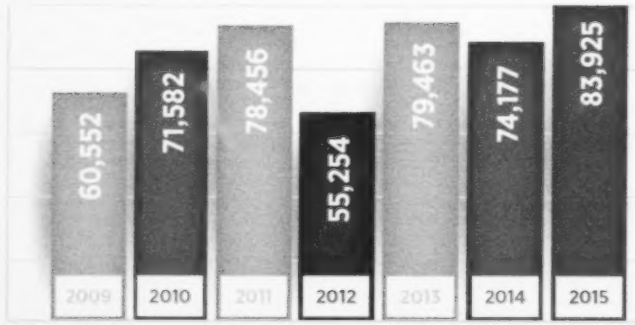


figure 5
FRIGHT NIGHTS TOTAL REVENUES

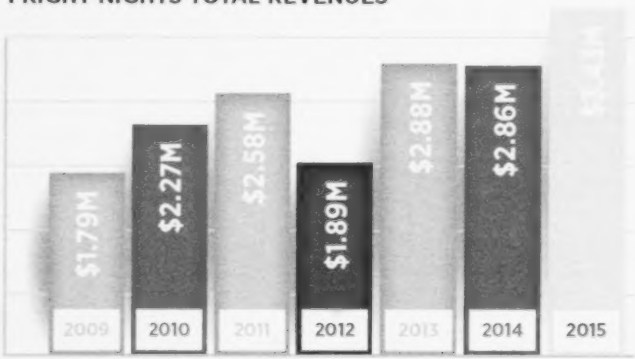


figure 6
FRIGHT NIGHTS NET CONTRIBUTION

MONSTERS OF SCHLOCK, FRIGHT NGIHTS

INAGURAL PNE DONUT DASH

THE FAIR AT THE PNE

SuperDogs... concerts... mini-donuts and all those treats you only get once a year! The Fair at the PNE proudly remains a memory-filled end-of-summer tradition for British Columbians of all ages. The event, which is the single largest initiative the organization works on, is responsible for approximately 50% of PNE annual revenues. As the attractions and entertainment options available to families continue to evolve, the PNE understands that t he Fair needs to continue to transform as it finds its place in this changing landscape. So, with that in mind, 2015 was year three of a five-year Fair rejuvenation strategy. The goal of the five-year strategy is to build a unique experience that guests can only get at the Fair, an experience that results in a must-see call to action to experience an event that simply can't be missed.

THE FAIR'S FIVE-YEAR STRATEGY

Each year, the PNE tries to preserve the fine balance between providing new, compelling entertainment while keeping guests' traditional favourites. Guests often say "it's always the same – but don't change my favourite things". However, by keeping favourite shows and activities, a pattern has developed where guests only come to the Fair every couple of years and feel like they get the experience they expect. In 2013, the PNE embarked upon a five-year strategy to revitalize the Fair, to make it a must-see summer event that guests need to attend every year, or they'll miss out. Rather than being an event that guests can attend once every two to three years and get their fill, each year's entertainment offering needs to be compelling and available to enjoy only that year.

In 2013, which was the first year of the strategy, management chose to focus on reducing pricing and shifting the value proposition so that families did not find the Fair cost-prohibitive. The goal was to make it an event that families could afford to attend every summer. As such, both Fair gate admission and on-site parking prices were reduced by 20% for all guests on all days. A new coupon saving book was also introduced, and new promotional days were added to make it easier to find a cost-effective way to attend. In addition, the Fair closed the first two Mondays of the Fair (traditionally the slowest days) in order to save operational costs and invest back into the entertainment mix for guests.

Year two (2014) focused on reinvesting in the entertainment mix, with the goal of providing guests with must-see marquee exhibits that would be available for only one year. The intent was to ensure that key Fair entertainment offerings changed dramatically from year to year and that they were something families simply could not miss.

In 2015, year three of the strategy, the goal was to build on the successes of years one and two while continuing to drive the entertainment call to action. This included adding two new exhibits and a new craft beer festival, increasing the spend on the concert lineup and, most significantly, introducing a marquee evening feature show to the Coliseum. In 2015, this was the Broadway musical Peter Pan – free for families to enjoy, but available for one year only.

A COST-EFFECTIVE FAIR

With a focus on continuing to provide cost-effective ways to attend the Fair, 2015 was the third year of the PNE coupon book, which contained hundreds of dollars in savings at a wide variety of concessionaires and exhibitors on-site. Promotional days included Free Admission Day on Tuesday, August 25, where everyone received free gate admission between 11 am and 1 pm (with kids 13 and under free always, any day, any time). Wild Ride Wednesday, which was expanded to include both Wednesdays of the 2015 Fair (August 26 and September 2), allowed guests to purchase two-for-one all-day ride passes on-site before 1 pm on those days. Thursday, August 27 was Seniors Day, with guests 65 years of age and older receiving free gate admission from 11 am to 1 pm. Vancity Member Day was held on Thursday, September 3, with admission for all Vancity members and credit card holders plus one guest for only $5 each. The Twilight Ride pass and After Dark promotions also provided value for guests who were coming to the Fair late or purchasing an all-day ride pass later in the day. Heroes Weekend, which granted free admission to all first responders, was expanded in 2015 so they could also bring in a guest for free.

The PNE continued its off-site retail program, allowing guests to buy discounted passes at Safeway, Save-On-Foods, PriceSmart Foods and 7-Eleven. As well, the group sales program provides discounted gate admission and ride passes to larger groups, and guests can always get discounted tickets to the Fair by purchasing online at pne.ca. Lastly, as initiated in 2013, the Fair remained closed on the first two Mondays in 2015 in order to save the operational costs of the lowest attended days, allowing investment in the fresh new marquee entertainment.

THE ENTERTAINMENT MIX

The biggest change to the entertainment lineup in 2015 was the addition of a free marquee feature show in the Coliseum. The Broadway musical Peter Pan, featuring Cathy Rigby as Peter Pan, was a huge hit, drawing crowds of 5,000 to 8,000 guests each night. Superfans could reserve floor seats at a nominal fee of $20, but over 10,000 seats were made available to families at no cost. Where else can you see a free Broadway musical?

In keeping with the strategy of changing out marquee exhibits every year, three new attractions were introduced in 2015. The world premiere of a Beatles memorabilia exhibit showcased the largest collection of never-before-seen Beatles artifacts, including the original handwritten band breakup letter and John Lennon's Rolls Royce covered in hand-painted flowers. A second major exhibit was the Superhero Discovery Centre, where kids could learn about their favourite superheroes and discover

SUPERHERO DISCOVERY CENTRE

their hidden superpowers through numerous interactive stations. Over 110,000 guests took in this exhibit, which featured Iron Man, the Batmobile and the Incredible Hulk. An outdoor exhibit featuring 14 life-sized dinosaurs, many of them animatronic, mesmerized children and families and acted as a third exhibit for the 2015 Fair.

An increased investment into the Summer Night Concert series allowed the Fair to showcase amazing artists such as Colin James, Clint Black, The Beach Boys, Daughtry, Colbie Caillat and Christina Perri, Tom Cochrane, Daryl Hall and John Oates, Loverboy, and the return of Boyz II Men, a 2014 crowd favourite. With such great bands, demand for reserved seating continues to increase, with several shows selling out of available reserved seats. The PNE is committed, however, to keeping at least 4,000 seats free for each concert.

The Mosaic Music Series showcased local, cultural or up-and-coming artists and featured 22 artists over 15 nights, including The Zolas, Bif Naked, Lee Aaron, The Boom Booms, Platinum Blonde, Five Alarm Funk, Tyler Shaw, Barney Bentall, Babe Gurr, Headpins and Good for Grapes.

ToonCity, a family-friendly interactive play zone for kids, offered expanded activities, including murals to paint, a reading corner, character meet-and-greets, and access to several playhouses. Two live shows for kids – Bones & Scully and Mermaid Tales – rounded out the entertainment offering in this area, which has become a great quiet zone for families to get out of the crowd for a while and rejuvenate.

In an effort to increase participatory programming, the first annual Donut Dash was launched during this year's Fair. A 5k fun run with participants entertained along the route by dancers and show characters while being treated to mini-donuts and cotton candy, this event drew over 1,200 participants in its first year. The PNE looks forward to making this an annual run.

Guest favourites like SuperDogs, the baby animals of Farm Country, Duelling Pianos, RibFest and the Marketplace acted as anchors for those guests who needed a bit of good ol' tradition.

The first five operating days of the Fair saw the strongest attendance in a decade, and were tracking 10% ahead of projections and the year prior. Response to the Fair's lineup of entertainment and exhibits was extremely positive, and the PNE was on track to have one of its best Fairs since reaching over 950,000 guests during the 100th Anniversary in 2010. However, on day five of the 2015 Fair, the weather shifted dramatically and on day six, the Lower Mainland was hit with the worst windstorm in recent history. Over 700,000 households were without power, trees were downed and many roads were closed. This storm hit the Fair very hard, with winds over 60 kilometres per hour through the site. Several trees on-site were felled and tents were damaged but, luckily, no one was seriously injured. With winds expected to increase to over 100 kilometres per hour, the PNE made the difficult decision to close the grounds for guest safety, encouraging all guests on-site to seek shelter. Approximately one hour later, the wind advisory was lifted by Environment Canada and the PNE reopened the grounds. By that time, however, most guests had left, and those who stayed were cold and wet. It continued to rain for the next four days and, with people focused on trying to get heat and power back to their homes and repairing damage around the city, the

WINDSTORM DAMAGE ON SITE

Fair never regained momentum. As a result, despite a very strong start, Fair attendance was 678,193, down almost 12% from 2014.

As expected, this loss of more than 100,000 guests took a substantial toll on Fair revenues. Total revenues for 2015 were $21.96 million, $3.2 million off budget and 7.7% lower than the $23.78 million achieved in 2014. Every effort was made during the remaining days of the Fair to cut costs and, on the final Saturday, admission to the Fair was made free to the public to encourage guests to come out and celebrate the last few days of sunshine and summer. These efforts helped to mitigate the loss, but net income of $4.81 million for this year's Fair was substantially off, down 38% from 2014 *(see figures 7, 8 and 9 for a seven-year Fair history)*. This financial performance, the Fair's worst in over 15 years, exemplifies the impact of weather on a seasonal outdoor event. You can be tracking 10% ahead in attendance figures the first week, and end up millions of dollars behind when Mother Nature flares.

AGRICULTURE AT THE FAIR

The 2015 annual 4-H Festival welcomed over 350 kids from 36 clubs and 10 districts across the province as part of the annual celebration of 4-H in BC. Over 1,500 entries were judged, and over $15,000 in prizes and money was awarded. The livestock auction at the end of the 4-H Festival raised $346,000 for participants. In the Pacific Spirit Horse Show, $20,000 in prize money was awarded, with 300 entries being judged. During the 15-day Fair, over 950 animals went through the barns, and 25,000 kids went through the Kidz Discovery Farm exhibit to learn farm-to-fork basics. The 2015 Fair also saw the PNE partner with the Horse Council of BC to host the second annual Horse Day at the Fair. Lastly, each year the PNE hosts a charity auction in support of the BC Youth in Agriculture Foundation. This year, over $36,000 was raised to support bursaries and scholarships for youth pursuing sustainable farming practices.

figure 7
FAIR ATTENDANCE

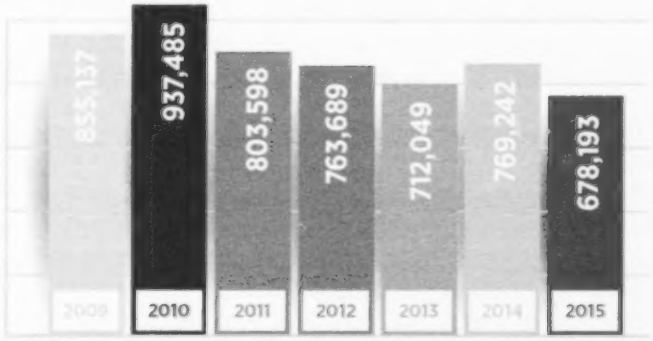


figure 8
FAIR TOTAL REVENUES

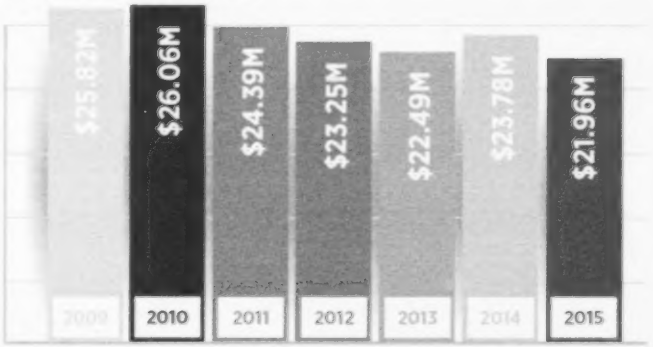


figure 9
FAIR NET CONTRIBUTION

THE PNE PRIZE HOME – WIN A HOUSE! WIN A CAR!

BC's original and most affordable home lottery program ran from May 1 to September 7, 2015. A new builder designed and worked on this year's LEED-registered contemporary home located on the Okanagan benchlands, in the heart of BC's wine country. The 2015 Grand Prize Package, which was valued at over $2.1 million, included the Karoleena-built home, a lakeview lot, luxury furnishings featuring Calvin Klein Home from Lane Home Furnishings, chef-inspired appliances from Coast Wholesale, a hot tub from Coast Spas Lifestyles, and an outdoor living package from E9 and BBQ Shop. The 50/50 draw winner was Kim Ansell of Maple Ridge who was awarded more than $456,000 in cash. Twenty additional winners walked away with a Chevrolet Corvette Stingray, 11 cash or car prizes, and eight luxury vacations from Transat Holidays. Total prizes were valued at $2.69 million. During the 2015 Fair, over 120,000 guests toured the home, all dreaming of making it their own. The lucky winners of the 2015 Prize Home were Jill Denison and Robert Rawson of North Vancouver

In total, 1,112,485 prize home tickets were sold and entered into the draw, and the whole lottery program generated $5.45 million in revenue (*see figure 10 for a seven-year history*). Each year, revenues from the lottery program support a variety of PNE community programs along with the Fair's rich history of agricultural programming, and a multitude of other non-revenue-producing multicultural and family programming.

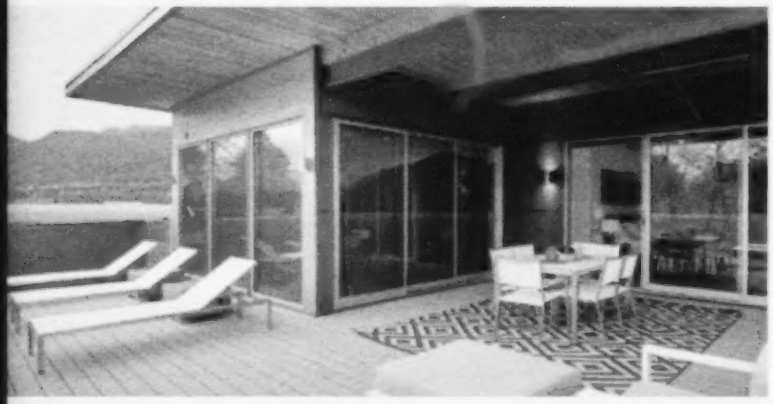
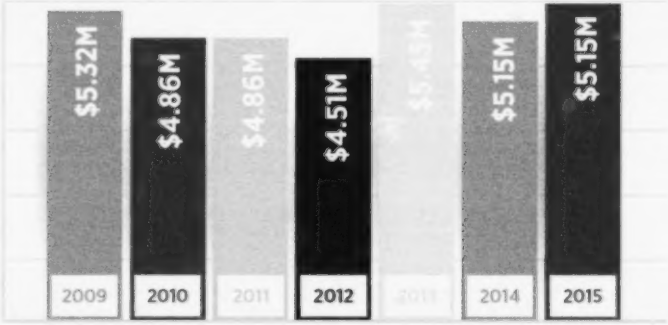


figure 10

PRIZE HOME LOTTERY TOTAL REVENUES



WINNERS OF THE 2015 PNE PRIZE HOME WITH PNE PRESIDENT, MICHAEL MCDANIEL

SOLID NYE

YEAR-ROUND EVENTS

Year-round events are responsible for approximately 25% of the PNE's annual revenue and the portfolio encompasses a diverse array of activities including concerts, sporting events, cultural and family shows, film shoots, trade and consumer shows, and community events. The facility sales team utilizes the full range of indoor and outdoor spaces and venues on-site to bring activities, events and celebrations to Hastings Park. This portfolio is highly specialized yet incredibly diversified. It is this diversity that allows the company to withstand industry shifts, weather effects and economic impacts that may affect one or more aspects of the company in the short term while continuing to perform strongly overall in the long term. This is exemplified in a year like 2015 – where the Fair was off budget by more than $3 million and year-round event revenue was ahead of budget by $1.7 million.

This was an incredibly strong year for year-round events. Total revenues equalled $12.46 million (excluding Playland, Fright Nights and the Fair), with a net contribution of $4.37 million. This represents a 22% increase in total revenues over 2014 and a 38.5% increase in net income *(see figures 11 and 12 for a seven-year history)*. Certain types of year-round business have higher margins; therefore, depending on the event mix in any given year, the proportion of net income can shift significantly. But whatever that mix, the PNE team remains very proud to bring a wide array of on-site celebrations that are as diverse as the community that surrounds us.

THE MUSIC INDUSTRY AND CONCERTS

The history of the PNE is rich with iconic moments and many of BC's greatest musical memories, both recent and historical, have taken place in PNE venues. From Bing Crosby in the Forum to the first Canadian concerts by the Beatles to the dance hall days of the Garden Auditorium with a 12-year-old Stevie Wonder. And from disco in the 70s to major rock concerts in the 80s to the evolution of today's electronic dance music scene, music and concerts have always been at the heart of the PNE event mix. Some of Vancouver's biggest and most diverse shows have come through the PNE's venues, and music still plays a central role in the PNE's business. The facility sales team maintains strong links in the music industry and takes great pride in anticipating the trends that allow us to make the most of shifts in this volatile industry. 2015 was no different.

An important impact on 2015 concert activity was currency valuations. Fluctuations in the Canadian dollar significantly impacted the Canadian music scene. With promoters paying artist fees in US dollars, bringing acts into Canada instantly became 25% more expensive in 2015 with the drop of the Canadian dollar. This means more financial risk for the promoter, higher ticket prices to cover costs and potentially fewer ticket buyers. When the Canadian dollar drops, the market experiences a corresponding drop in concert activity.

Throughout 2015, the PNE hosted a total of 11 concerts: nine in the Pacific Coliseum, one in the Forum and one at the PNE Amphitheatre. Almost 61,000 guests attended these concerts during the year. While the number of shows and total concert attendance was down from 2014, this was due in large part to the currency factor mentioned above, which affected the PNE as well as other venues across the Lower Mainland. Seeing the market shifts, the facility sales team focused their efforts in areas outside music – family shows, trade and consumer shows, and fun runs – which will be discussed in more detail below.

Even when the concert business is slow, the PNE has maintained a strong presence in the electronic dance music (EDM) genre. Since the rise of the EDM scene, the PNE has been at the heart of this market. These interactive dance parties require a very different type of venue set-up and event management. The PNE, which offers a variety of flexible venues to host these shows in a safe, well-managed environment, is very proud to have played a role in helping this genre flourish. The PNE has hosted the city's most popular EDM events and in 2015, this included the Blueprint Anniversary Party #BP18YR, Dooms Night, Solid NYE, Life in Color, the Seasons Festival (twice) and Mad Decent Block Party. Crowds ranged from 3,300 to 6,500 people, and most shows were sold out. The PNE is also pleased to continue hosting more mainstream and up-and-coming artists such as Faith No More and Taiwanese pop star G.E.M. The PNE remains focused on building new promoter relationships, working closely to meet the needs of current partners, and showcasing newer genres and artists.

Another very exciting musical event on-site in 2015 involved the iconic band U2. The band's management arranged a confidential rental of the Coliseum in April to rehearse for their world tour. For weeks, the group prepared for their iNNOCENCE + eXPERIENCE Tour, which opened in Vancouver in May and wrapped in Paris in December 2015.

In addition to these exciting year-round events, the PNE Amphitheatre hosted 15 great concerts during the Fair at the PNE where capacity crowds enjoyed shows from popular and contemporary acts such as Daryl Hall and John Oates, Colin James, Clint Black, The Beach Boys, Daughtry, The New Pornographers, Lee Brice, Brett Kissel, Colbie Caillat and Christina Perri, Tom Cochrane, Sloan, Loverboy and Boyz II Men.

figure 11
FACILITY SALES TOTAL REVENUES

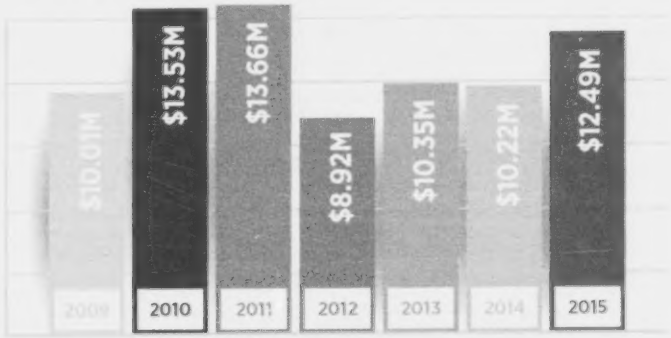
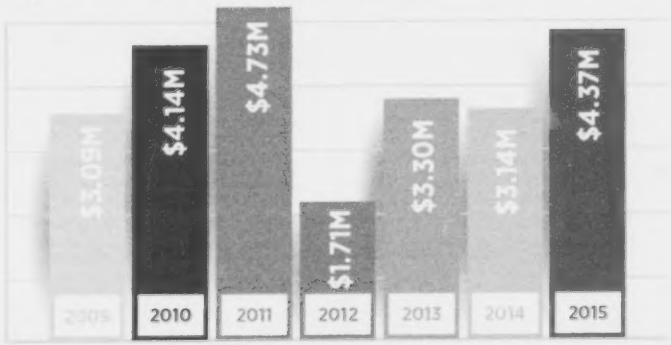


figure 12
FACILITY SALES NET CONTRIBUTION



FAMILY SHOWS

This area of focus for the PNE sales team over the past few years resulted in some amazing achievements in 2015. Several of the largest and most successful family shows in BC were hosted here at the PNE. In February, the Harlem Globetrotters entertained 6,600 guests with their antics and their amazing basketball skills, creating a laughter-filled evening for all generations. With two shows over two days, the Harlem Globetrotters always offer clean family entertainment.

Then in May, more than 25,600 guests welcomed Cirque du Soleil and its arena tour of Varekai to the Pacific Coliseum for eight performances over five days. Arena tours allow Cirque to travel to more cities for fewer nights, and to sell tickets at lower prices. And the PNE is proud to host this more accessible Cirque. Tremendous feats of flexibility, strength and grace wowed audiences of 3,000–4,000 at each intimate theatre-style show.

Following on the heels of Cirque, the PNE was delighted to welcome Marvel Universe Live – featuring Superman, Iron Man, Captain America, Thor, Hulk and Wolverine. Guests enjoyed a spectacular show: the battle over the Cosmic Cube, the source of ultimate power and one of the most feared and coveted treasures in the Marvel Universe. Almost 20,000 guests took in eight performances over four days.

And in November, sold-out crowds in the Coliseum welcomed the magical story of sisters Elsa and Anna in Frozen, the most popular Disney on Ice show in recent history. Over 62,700 guests were mesmerized by the dance, skating and sound track of this Disney favourite. Frozen performed 10 shows across five days, and staff enjoyed seeing the thousands of Elsa, Anna and princess costumes in the audience at each show.

A number of family exhibits also called the PNE home in 2015. In July, the Hello Kitty Supercute Friendship Festival, which showcased everything about the Hello Kitty lifestyle, welcomed over 3,500 fans during its first tour through North America. In November, the PNE Forum hosted a two-day Discover the Dinosaurs family exhibit. This featured more than 40 dinosaurs, including a 20-foot T. Rex and life-sized triceratops, iguanodon, apatosaurus and stegosaurus dinosaurs. Activities included riding a dinosaur, a dino-dig for fossils, and panning for gems. The event was enjoyed by over 3,500 guests. This was followed in December 2015 by Winter Wonderland at the PNE Forum, a new family event with live shows, crafts, holiday treats, kids activities, merchandise and a giant snow globe that entertained over 33,000 guests during its nine-day run. In total, approximately 155,000 guests attended a great array of family events and shows at the PNE in 2015.

DISCOVER THE DINOSAURS

WINTER WONDERLAND

VAREKAI,
CIRQUE DU SOLEIL

Reebok
GIANTS
GIANTS HOCKEY

SPORTING EVENTS

The PNE also holds a strong place in the sporting history books. From being the original home of the Canucks, Lions and Whitecaps, to Bannister and Landy's Miracle Mile at the 1942 Empire Games, to serving as host venue for figure skating and short track speed skating during the 2010 Olympic Winter Games, the PNE has a rich history with amateur and professional sports. 2015 was again full of fun sporting activities on-site.

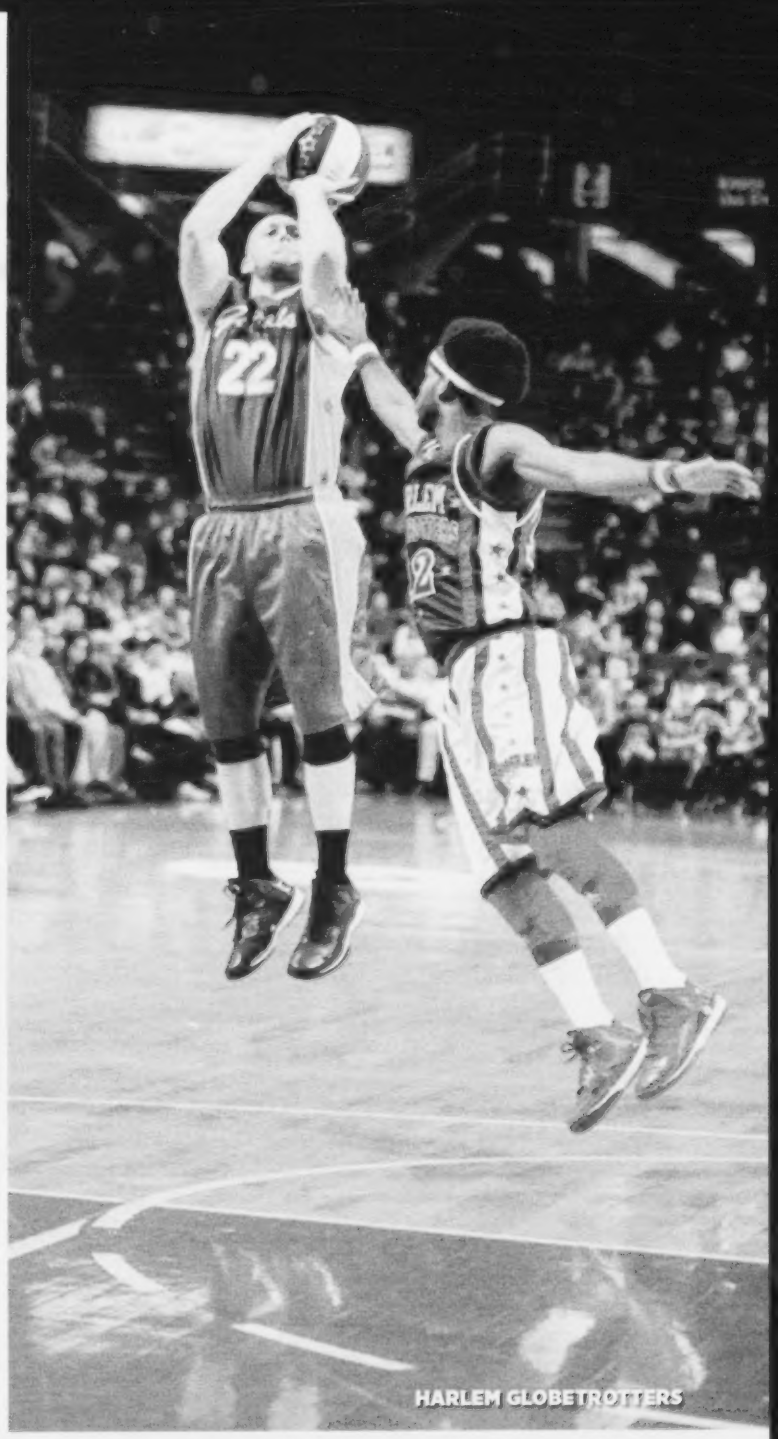
PNE continues to be very proud that the Vancouver Giants junior hockey team has called the Pacific Coliseum home for almost 15 years. From September through March of 2015, the Giants played 36 home games and were cheered on by several thousand fans. Spectators were treated to a variety of fun promotions, from a Teddy Bear Toss to an ugly sweater game to an anti-bullying game that was attended by thousands of school kids. When the Giants were not playing, several other groups made use of the available ice, including the Mercy Cup private charity hockey game held in February.

A definite highlight of the Giants' season was hosting the 2016 Top Prospects Junior Hockey Game. In January 2016, 40 of Canada's best Junior Players from across the Canadian Hockey League showcased their talent to coaches and scouts, and 8,500 spectators watched the best in up-and-coming talent from across the country.

5K fun runs have also become popular around the city. In June, approximately 5,000 runners took part in The Color Run paint race to promote healthiness and happiness in the "Happiest 5K on the Planet". And, on August 23rd, the first Sunday of the Fair, 1,300 runners took part in the inaugural Donut Dash, a 5K fun run where participants received Fair treats during the run and then all participants got into the Fair for free for the rest of the day.

Another highlight during 2015 was the Van Doren Skateboard Invitational held July 9–11, which hosted over 1,500 skateboard enthusiasts at the iconic Hastings Skate Park. It is the biggest skateboard event in Vancouver and features world-class competitors and $75,000 in cash prizes. To round out the types of sporting entertainment on-site, WWE gave wrestling enthusiasts a great show in August at the Pacific Coliseum.

At the community sport level, the PNE hosted 16 different community groups who used over 1,800 hours of community ice in the Agrodome. These groups included Vancouver Minor Hockey, figure skating clubs, and a number of adult hockey and skating groups. The community ice season for 2015 ran from September 25 to March 11.



HARLEM GLOBETROTTERS

COMEDY WITH KAPIL AND FAMILY

CULTURAL EVENTS

For decades, the PNE has been proud to be home to a wide variety of cultural celebrations.

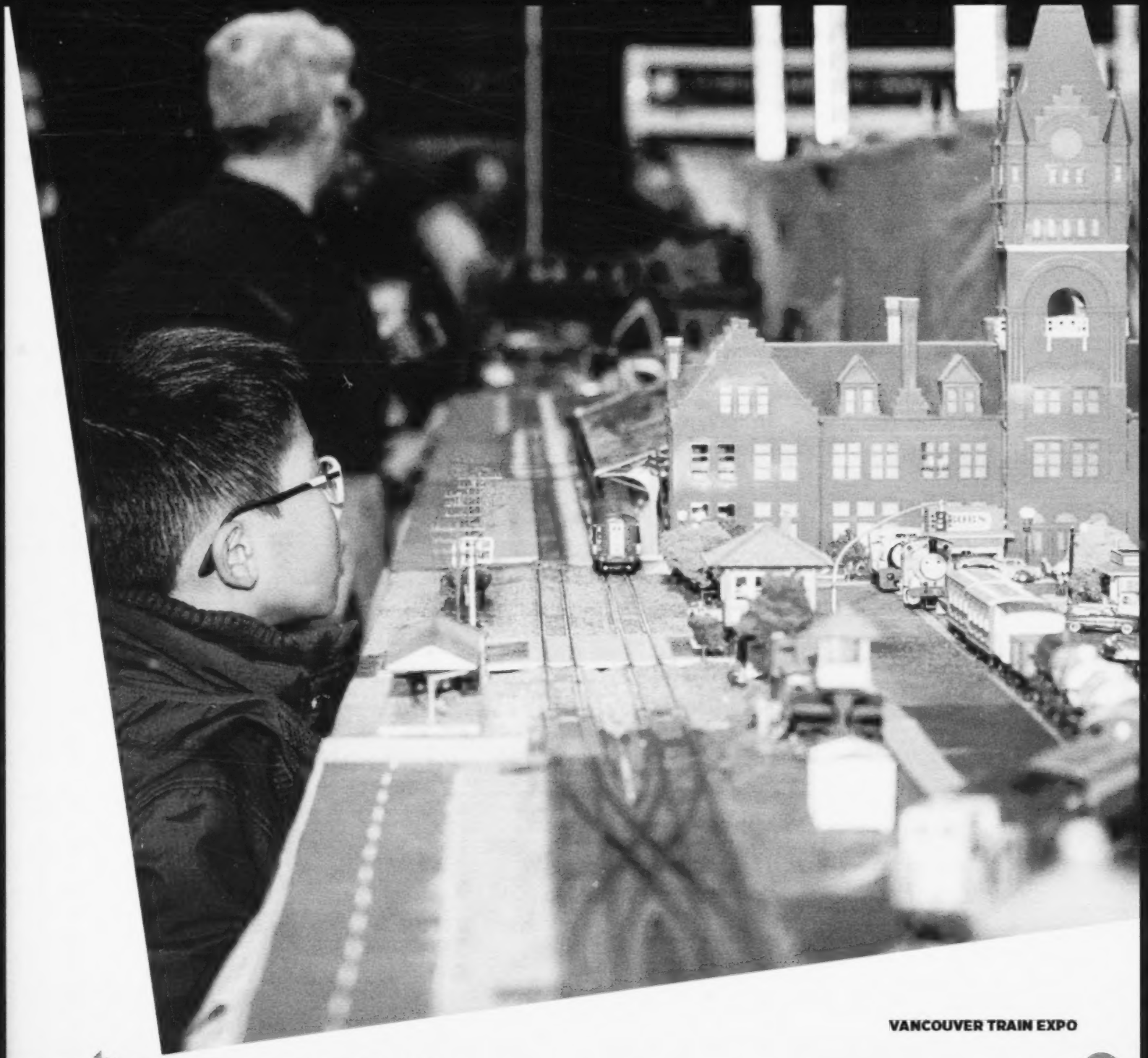
Some highlights from 2015 include the annual Nisga'a Ts'amiks Hobiyee Festival, which was enjoyed by 7,200 guests over two days in February. This was the fifth year of hosting this cultural festival on-site at the PNE Forum. In August, the Pacific Coliseum welcomed Comedy with Kapil & Family, with Kapil Sharma, a well-known comedian who was named India's entertainer of the year in 2013. More than 7,100 guests from all walks of life, including many guests from Vancouver's South Asian community, took in his show. Taiwanese pop star G.E.M. played to a Coliseum crowd of over 5,000 in May. Also in May, a walking tour was held to visit all the sites at Hastings Park with Japanese cultural significance and heritage. Lastly, in July, the Pacific Coliseum welcomed over 6,000 guests to a non-denominational Christian celebration called Voices Together.

TRADE AND CONSUMER SHOWS

In recent years, the PNE has seen sustained growth with trade and consumer shows. In 2015, the PNE hosted 20 shows: 15 consumer-based shows, and five trade-only shows. Trade shows include the Lordco Tradeshow, two Vancouver Gift Expos, the Gordon Food Services Food Show and the Concord National Customer showcase. In terms of consumer shows, the PNE is focused on bringing a wide range of health and lifestyle events to the site to stay relevant and reflective of the trends being seen in the surrounding community. This year's shows were diverse and catered to a wide variety of interests. They included Vancouver Mini Maker Faire, Motorcycle Toy Run, Body Soul & Spirit Expo, Golf and Travel Show, Hot Tub Expo, Hello Kitty Supercute Friendship Festival, Knit City, Vancouver Halloween Expo, Vancouver Train Expo, Vancouver Gem and Mineral Show, Vancouver Winter Wonderland, Discover the Dinosaurs, the Hopscotch Festival, and Make it! The Handmade Revolution. A new consumer event added in 2015 was Vancouver Craft Beer Week. Over two days, 6,200 guests enjoyed local craft offerings. These shows, which brought more than 130,000 guests to Hastings Park, help to keep the site lively and active throughout the year.

COMMUNITY EVENTS

PNE community events continue to grow, as demonstrated by this year's highlights. The PNE was proud to host the second year of the Hastings Park



VANCOUVER TRAIN EXPO

farmers' market in association with the Vancouver Farmers Markets society. Over a 26-week period from November to May, approximately 22,000 guests and shoppers flocked to the park to enjoy the offerings of 40–60 local food producers. The market provides an opportunity for the local community to gather, socialize and shop while supporting local businesses, farmers and artisans. The PNE subsidized all operational costs in order to bring these markets to Hastings Park and keep the rates for vendors in line with Vancouver Park Board rates.

The PNE is also proud to host and provide support to the LightWaterDrums Festival. This annual winter lantern festival, which is hosted by the Hastings North Community Partners Group, celebrates the dark and wet of Vancouver winters and the joy of Hastings Park's restored natural beauty. In 2015, this event was held Saturday, January 24.

The community Learn to Fish program in the Sanctuary entered its third year in 2015. The program calls for the Sanctuary to be stocked with rainbow trout during the spring and fall seasons by the Freshwater Fisheries Society of BC. The Learn to Fish program provides an opportunity for local adults and youth to learn about fishing. In addition to five Learn to Fish sessions held in May and June, over 2,100 hours of fishing throughout the 2015 season were documented by video motion at the Sanctuary dock.

For over a decade, the PNE has worked closely to support Hastings Community Little League (HCLL). In fact, the fourth annual Community Day for HCLL was hosted at Playland in late May, and over $18,300 was raised in support of field upgrades for the 2016 National Championships. The PNE also continues to provide free indoor practice space and free Playland tickets to all 425 Little League members each year.

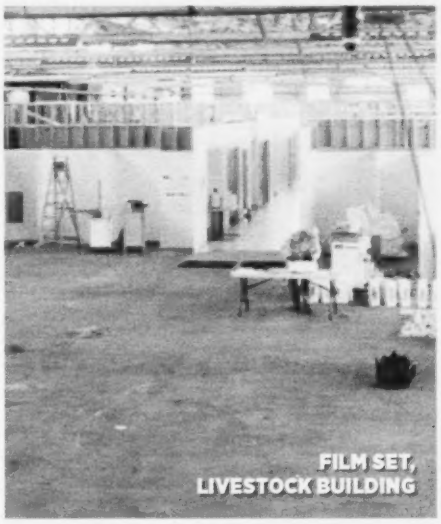
Our community partner CircusWest produced and performed two acrobatic circus shows in the Garden Auditorium. More than 2,400 guests enjoyed The Circus of Oz show over four days in May. In addition, West Coast Flying Trapeze offered outdoor instructional classes for 6 weeks between July and October.

The PNE is also proud to host the WorkSafeBC Day of Mourning in April each year to support our community as they remember men and women from across the province who have been injured or killed while performing their jobs.

FILM ACTIVITY

On-site film activity varies dramatically from year to year and is dependent on the health of the BC film industry as well as on US exchange rates. As the US dollar soared in 2015 against the CDN dollar, the Lower Mainland experienced a surge in film activity. This also helped to offset the slowdown in concert activity that resulted from the same exchange rate change.

Throughout the year, a total of 61 different film companies used the site and venues, for a total of 520 days of filming. Venues used by the film industry throughout the year included the Pacific Coliseum, the Forum, the Agrodome, the Livestock building, Rollerland, the PNE Amphitheatre and several areas of the outdoor grounds. The PNE continues to be seen as a flexible site to choose when projects are being shot in the Lower Mainland, and the PNE sales team maintains strong relationships in the film industry to ensure that the organization is well positioned to capitalize on increased market activity when market shifts occur.



FILM SET, LIVESTOCK BUILDING

TICKETLEADER

In 2012, the PNE introduced TicketLeader, a new in-house ticketing system on-site. Year-round events in all venues, including the Pacific Coliseum, Forum and PNE Amphitheatre, are now ticketed exclusively by TicketLeader. TicketLeader, which can seamlessly ticket reserved seating shows and general admission shows, also has custom programming abilities that other systems just cannot match. TicketLeader is fully mobile-enabled but users can still deal with local ticket agents through the Coliseum Box Office or local call centre. This system is now also the ticketing system of choice for several high-profile off-site events, including the Honda Celebration of Light fireworks competition, the 2015 Queen Elizabeth Park Zipline, and the Stanley Park Halloween Ghost Train and Bright Nights Christmas Train. By internalizing ticketing, the PNE can work with event promoters to right-size ticketing fees while increasing the PNE's event-based direct marketing impact. This also has a positive impact on overall revenues for the PNE. It is anticipated that TicketLeader will continue to be a revenue growth opportunity for the PNE in the years to come, especially as year-round events on-site continue to grow and successes off-site generate new leads.

HELLO KITTY'S SUPERCUTE FRIENDSHIP FESTIVAL

MOMIJI GARDEN

PARK AND FACILITY MAINTENANCE

The PNE's fourth activity stream is park and facility maintenance. Since the organization's inception in 1910, the PNE has been the steward of more than 100 acres of Hastings Park. (Empire Fields is maintained by the Vancouver Park Board and the racetrack is maintained by Great Canadian Casinos through a separate operating agreement with the City of Vancouver.)

This means that the PNE and its staff are responsible for the care and upkeep of the majority of the landscaped grounds, trees, benches, playground equipment and specialized gardens (the Momiji Garden, the Italian Gardens and the Sanctuary), as well as all of the buildings. A team of full-time gardeners is employed year-round to care for and maintain all the outdoor and park spaces. Careful pruning in the Sanctuary is done throughout the year while keeping it in its naturally intended state. The Italian and Momiji gardens are cared for by specially trained horticultural teams in consultation with the City of Vancouver, the Vancouver Park Board and the Vancouver Japanese Gardeners Association.

Although this activity stream does not generate revenue, $6.13 million was spent on the care and maintenance of facilities and park space in 2015. Annual expenditures are regularly budgeted operational expenses that are possible because of the revenue generated by the PNE's three other activity streams (Playland, the Fair and year-round events)

A TEAM OF FULL-TIME GARDENERS IS EMPLOYED YEAR-ROUND TO CARE FOR AND MAINTAIN ALL THE OUTDOOR AND PARK SPACES.

Park care efforts in 2015 included ongoing annual care of the Sanctuary, Momiji Garden and Italian Gardens, and the addition of new hedges, trees and flower beds in Playland. Seasonal plantings throughout the grounds enhance the outdoor spaces for all guests to enjoy. While the PNE team is very proud of all the work its teams do to care for the green spaces on-site, severe water restrictions in the summer 2015 meant that there were no irrigation systems used, which made care of the seasonal planting more difficult than usual. In addition, the August windstorm resulted in a number of downed trees in several areas on-site, including five trees in the Sanctuary.

In addition to park care efforts, new high-efficiency boilers were installed in the Agrodome. Several other projects were started in 2015 but will be completed in 2016 and beyond; these will be reported on once completed. The PNE continues to work with the City of Vancouver on its 2015–2018 capital plan to ensure that site assets receive required upgrades and repairs.

VANCOUVER CRAFT BEER WEEK, PNE CENTRE GROUNDS

COMMITMENT TO SUSTAINABILITY

The PNE is committed to improving its environmental footprint and in working to achieve the goals of the Greenest City Action Plan. In 2013, the PNE worked with an external sustainability consultant who identified a number of areas for the PNE to focus on in the coming years. A key area was waste management and, through strategic investment and dedicated effort, the PNE achieved significant improvement in waste diversion in 2014 and 2015.

In 2014, 65 new waste diversion stations were purchased to improve diversion and to introduce compost diversion for the first time in Playland, at the Fair and in the Pacific Coliseum. In 2015, another 22 stations were purchased to continue building on the success of the initial investment. The Fair also continued its policy that all food vendors on-site needed to use only compostable cutlery and serving dishes, which further reduced waste. During the Fair, we were able to divert 95.8 tonnes of organics, wood, brush, mixed plastics and cardboard, and 179.14 tonnes of animal waste and shavings from the agriculture department were collected and recycled. An important new partnership with our waste hauler has created solid back-of-house sorting processes for Fair and year round operations, and has developed reliable and consistent metrics that will support the overall goal of increasing our waste diversion to 75% by 2020.

The PNE held its second zero waste day on Vancity member day, on Thursday, September 3. On that day, we worked with Vancity staff, Green Chair volunteers and our waste-hauling partner to come as close as possible to zero waste. As well, we worked with Vancity to share the story of the PNE's journey to zero waste. Through an interactive on-site display managed by Vancity, we were able to gather guest input on our plans and, through signage and blog posts, we were able to share our priorities and our vision with guests.

As well during the Fair, we showcased the 2015 PNE Prize Home which was a LEED Gold registered home. Each year, the builder, PNE and partners work together to showcase energy efficiency ideas to inspire improvements in the environmental footprint of those who tour the home. Where possible, the PNE Prize Home lottery also includes hybrids and other fuel efficient vehicles as prizes.

An exciting new initiative in 2015 was the introduction of the PNE Chef's Garden. This was an initiative to begin on-site growing and harvesting of our own organic food that could be used by our catering and food and beverage departments. This also provided the opportunity to showcase and share our learning with staff and the community. In the first year of the project, the PNE's Chef's Garden contained 14 fruit trees, 10 blueberry planters, 10 raspberry planters and 4 strawberry planters. An additional 50 planters were planted with basil, beets, broccoli, cabbage, cantaloupe, carrots, chive, cucumbers, figs, grapes, hot peppers, lavender, mint, oregano, parsley, potatoes, rosemary, sage, thyme, tomatoes, watermelons, winter squash and zucchini. In total, over 500 pounds of food were harvested, with recipes and lessons learned shared on the PNE blog and through PNE social channels, and showcased in our agricultural programming during the Fair.

Each year, the PNE strives to improve its performance and to achieve sustainability in all areas of its business. From Playland and the Fair to year-round indoor and outdoor events, the PNE remains committed to improving its environmental footprint and to making sustainability investments a top priority. We look forward to sharing more progress in next year's annual report.

The PNE also remains committed to the following initiatives that are currently in place.

CORPORATE INITIATIVES

- Marketing collateral continues to be printed on recycled paper certified by the Forest Stewardship Council, and marketing efforts continue to leverage web, mobile and email marketing initiatives to reduce paper use where possible.
- Human Resources staff utilize direct deposit and epost for payroll, and most recruiting is done using online resources, rather than paper.
- Old uniforms are donated to charitable organizations or are reused internally.
- Suppliers are encouraged to provide environmentally preferred green, recycled and energy-efficient products wherever possible.
- Throughout the organization, staff continue to recycle paper, bottles, cans, plastics and discarded computer parts. Staff are encouraged to consider reusable office supplies, hold paper-free meetings, print only two-sided pages and turn off computers at night
- The PNE continues to be an active participant in the Green Sports Alliance.
- The organization continues to utilize more natural elements in landscaping and theming throughout the site.

EVENT MANAGEMENT INITIATIVES

- Beer cup recycling programs remain in place at the Pacific Coliseum and for all other events.
- Agriculture in the City displays promoted local and sustainable agricultural practices to guests.
- Retail ticketing programs use a recyclable styrene paper product for gift cards, rather than PVC plastic.
- A blue bag recycling program for concessionaires and exhibitors is in place during the Fair to encourage recycling of bottles, cans, plastics and cardboard. The PNE provides the bags as well as the collection service for all exhibitors. During the Fair, a mandatory composting program has also been introduced with food concessionaires
- The food and beverage department uses environmentally friendly cleaning products and continues to upgrade to low-energy fixtures and energy-efficient appliances.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to and from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair. The Fair also provides guests with a complimentary bike valet service.
- During events, agricultural event dirt is reused and manure is composted.
- Plans are underway to further improve exhibitors' sustainability performance on-site in upcoming years, including limiting the types of materials that can be used on-site and requiring that all pre-consumer food waste be composted.

FACILITIES INITIATIVES

The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades:

- Waste audits are conducted annually.
- In 2012, a light bulb recycler was purchased. Since then, the PNE has diverted over 25,000 fluorescent tubes and incandescent light bulbs from the landfill, turning them into recyclable glass and capturing bulb gases. We continue to recycle all bulbs on-site.
- Low-flush toilets and urinals as well as low-water-use faucets and high-efficiency lighting have been installed in all major buildings on-site.
- The Agrodome now has high-efficiency lighting in the main arena and plaza.
- Ice in the Agrodome is made using the REALice cold-water ice-making system.
- Our technical services department remains committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.
- Leaves, grass clippings and tree trimmings are recycled for composting.
- The technical services team uses electric, propane or natural gas vehicles where possible (zoom booms, scissor lifts, scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.), and remains committed to exploring the conversion of other fleet vehicles.

The PNE continues to actively work on improving its environmental footprint. In addition to working with Vancity and a team of external contractors on the next steps, the PNE remains proud of its progress, and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward. We understand that there is much work yet to be done and we remain committed to making progress in sustainability.

CELEBRATING TEAM AND SUCCESS

So many people over the century have contributed to this organization's success. It is our people who make this organization great, who make all the amazing and diverse events happen, and who care for and maintain this park and its facilities. Thousands of people continue to work tirelessly each year behind the scenes to build this iconic organization,

> **"Currently, 146 employees have more than 25 years of service and 16 employees have more than 40 years of service."**

and their stories are as rich as the history of this great institution. Thank you to everyone who contributes each year to make events and celebrations successful and who keeps this site a dynamic social gathering place for our diverse community.

THE PNE TEAM

One of the things the PNE has always been very proud of is the dedication and longevity of its team. Currently, 146 employees have more than 25 years of service and 16 employees have more than 40 years of service. This is quite an accomplishment, and it speaks volumes about the passion and commitment of these hard-working team members.

Activities and events on-site in 2015 contributed 471 full-time equivalent jobs to the local economy. The PNE employs 3865 people each year in a variety of roles and 3,554 of those jobs (89.6%) are in the Vancouver CMA. The PNE team is made up of 1402 Fair-time employees, 2298 part-time employees and seasonal staff (including Playland), 165 full-time employees, and a team of approximately 60 full-time management employees. The PNE is proud to be BC's largest employer of youth, providing first jobs and the skills required by the next generation of community and business leaders

More than 50% of PNE employees live in the City of Vancouver and all non-management staff are unionized in one of four unions: Canadian Union of Public Employees (CUPE) Local 1004, Operating Engineers Local 882, Electrical Workers IUOE Local 213, and International Alliance of Theatrical and Stage Employees (IATSE) Local 118.

> **"The PNE is proud to be BC's largest employer of youth, providing crucial first jobs and the skills required by the next generation of community and business leaders."**

STAFF PROGRAMS

The PNE has always been committed to providing health and wellness opportunities for staff. Initiatives include a staff-run social club as well as a company-funded health and wellness committee. Program types vary from year to year depending on staff feedback, but include year-round access to an on-site fitness centre and organized activities such as hikes, yoga and snowshoeing. Many programs are free or made available at a reduced rate for employees.

Staff recognition also remains a cornerstone of PNE incentive programs. 2015 was the fifth year of the Spotlight-On-You program, which is designed to recognize employees who contribute to the company's overall success and who promote productivity and creativity. The program allows managers to provide personal, informal and year-round on-the-spot recognition to deserving individuals or teams – both in bargaining units and excluded.

We also continued a program for seasonal and Fair-time team members called Impress Our Guests. This program, which is based on the PNE's mission and values, allows managers to recognize employees both on the front line and behind the scenes who enhance the guest experience. Winners are drawn weekly during the Playland season and daily during the Fair. Recognized staff are awarded with an array of $50 gift card options.

Through the innovative work of the PNE team, this organization continues to be recognized as an industry leader in a number of areas from community programs, training programs, advertising, and entertainment programming. Following is a summary of recognition received by the PNE during the 2015 award season:

The Playland Hot Seat Social Media Campaign was a finalist at the 2015 **Mashies** – Best in Marketing Awards, "Best Use of Live Streaming" category (Rethink)

Playland Hot Seat won a 2015 **Lotus Award** for Best Social Media Campaign (Rethink)

LOTUS AWARDS 2015

LOTUS AWARDS 2015

Playland Hot Seat also won a **Lotus Award** for Best Print Single with "teacups", "marionette" and "swings" (Rethink)

Playland won a **Lotus Award** for Best Print Single with the "The Beast Is Here" campaign for "Whack a Mole" and "Bear" (Rethink)

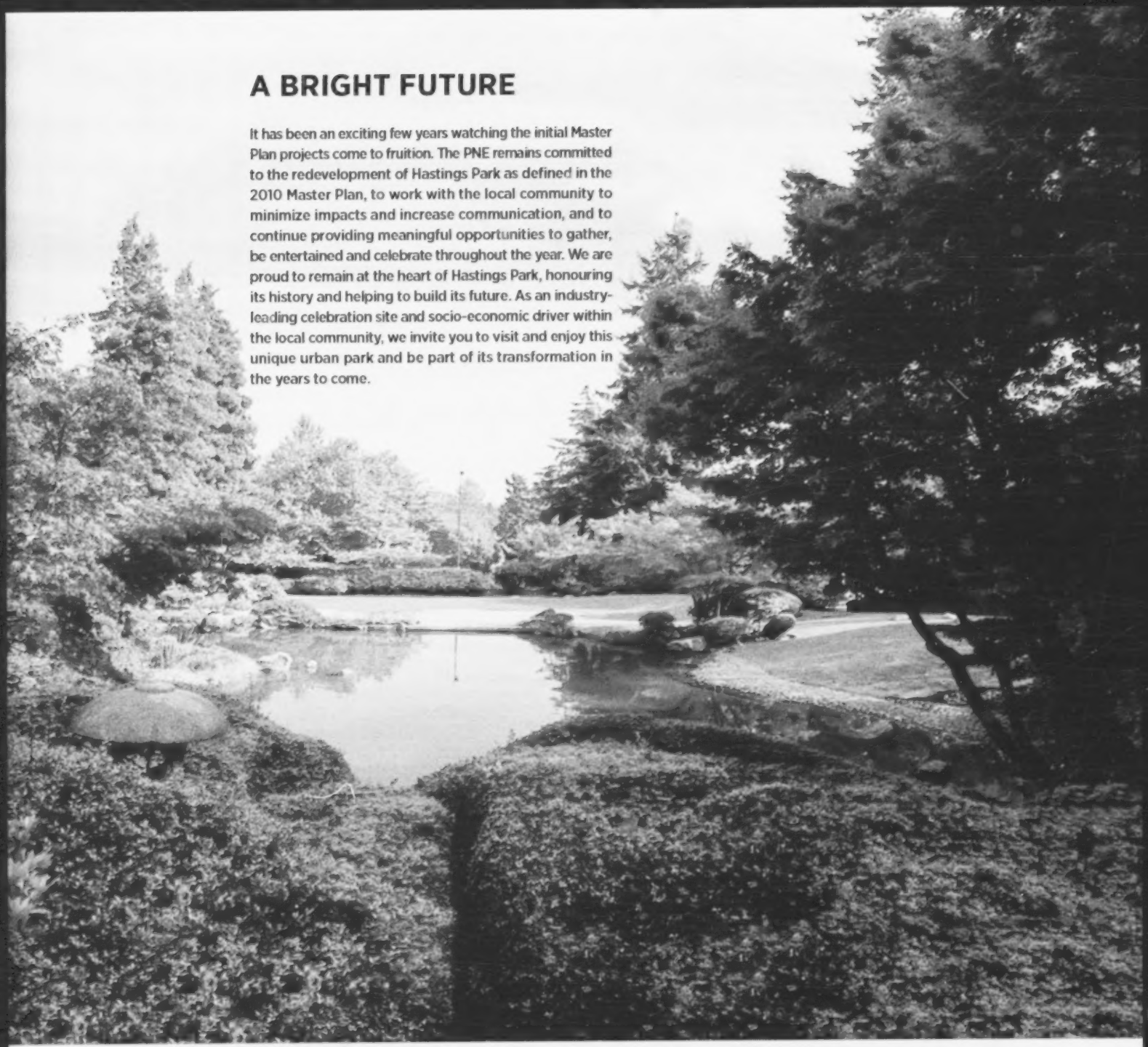
LOTUS AWARDS 2015

STARS OF VANCOUVER 2015 WINNER

Playland won 3rd place in the Vancouver Courier's **Stars of Vancouver Awards**, Tourist Attractions Category

A BRIGHT FUTURE

It has been an exciting few years watching the initial Master Plan projects come to fruition. The PNE remains committed to the redevelopment of Hastings Park as defined in the 2010 Master Plan, to work with the local community to minimize impacts and increase communication, and to continue providing meaningful opportunities to gather, be entertained and celebrate throughout the year. We are proud to remain at the heart of Hastings Park, honouring its history and helping to build its future. As an industry-leading celebration site and socio-economic driver within the local community, we invite you to visit and enjoy this unique urban park and be part of its transformation in the years to come.

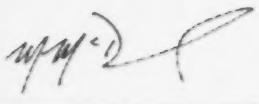


THE BROADWAY MUSICAL, PETER PAN AT THE FAIR

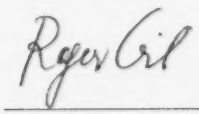
REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The *Pacific National Exhibition Incorporation Act* of 1973, later amended by the 2003 *PNE Enabling and Validating Act*, requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. As in all cases, the statements include amounts based on management's estimates and judgments. We believe that these statements fairly represent the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfill this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2015 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian Public Sector Accounting Board (PSAB) Standards to the extent necessary to form an independent opinion on the financial statements prepared by management.



Michael McDaniel
President and Chief Executive Officer



Roger Gil
Vice President, Finance and Corporate Services

2015 BOARD OF DIRECTORS

Chair: Mr. Raymond Louie – Councillor, City of Vancouver

Vice Chair: Mr. Malcolm Bromley – General Manager, Vancouver Park Board

Treasurer: Ms. Patrice Impey – General Manager, Financial Services, City of Vancouver

Directors: Mr. Sadhu Johnston – Deputy City Manager, City of Vancouver (April 2015–September 2015), City Manager, City of Vancouver (September 2015 – March 2016)

Ms. Cheryl Carline – President, Burnaby Hospital Foundation (April 2015 – December 2015)

Jackie Hogue – Director of Human Resources, Gordon Food Services (December 2015 – March 2016)

Mr. Peter Legge – Chairman and CEO, Canada Wide Media Ltd (April 2015 – December 2015)

Ms. Teresa Hartman – Acting General Manager, Community Services, City of Vancouver (June 2015 – March 2016)

Mr. Richard Saunders – Workers' Advocate, Labourers' Membership Services, Construction and Specialized Workers' Union Local 1611, Workers Compensation Board (WCB)

Mr. Ty Speers – President and CEO, Vancouver Tourism (December 2015 – March 2016)

Two Director roles remained vacant April 2015 – December 2015, pending the appointment of directors under the new governance structure in December 2015

EXECUTIVE MANAGEMENT COMMITTEE

President and Chief Executive Officer:	Mr. Michael McDaniel
Vice President, Operations:	Mr. Jeff Strickland
Vice President, Marketing:	Ms. Shelley Frost
Vice President, Finance and Corporate Services:	Mr. Roger Gil
Vice President, Sales:	Mr. Peter Male
Vice President, Human Resources:	Ms. Stacy Shields
Executive Assistant and Corporate Secretary:	Ms. Salome Valente

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit organization owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council-appointed body. The PNE's Board of Directors is committed to ensuring that corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2015 AUDITOR

KPMG LLP, Chartered Accountants
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Burnaby, BC V5H 4M2
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DINOSAURS ALIVE!
AT THE FAIR

FINANCIAL REPORTS

KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
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Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Pacific National Exhibition

We have audited the accompanying financial statements of Pacific National Exhibition, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific National Exhibition as at March 31, 2016, its results of operations and accumulated surplus, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants
July 6, 2016
Burnaby, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

STATEMENT OF FINANCIAL POSITION

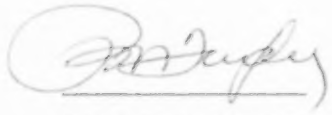
YEAR ENDED MARCH 31, 2016

		2016	2015
FINANCIAL ASSETS			
Cash		$ 1,100,300	$ -
Accounts Receivable	*(Note 2)*	836,625	842,373
		1,936,925	842,373
LIABILITIES			
Bank indebtedness	*(Note 3)*	-	491,897
Bank loan	*(Note 3)*	17,380,894	13,146,416
Accounts payable and accrued liabilities	*(Note 2,4)*	4,785,992	5,661,505
Deferred revenue		708,964	1,372,297
		22,875,850	20,672,115
Net debt		(20,938,925)	(19,829,742)
NON-FINANCIAL ASSETS			
Tangible capital assets	*(Note 6)*	17,692,100	17,909,058
Inventories held for use		836,592	751,618
Prepaid expenses		3,742,284	2,385,650
		22,270,976	21,046,326
Commitments and contingent liabilities (note 8)			
Accumulated surplus		$ 1,332,051	$ 1,216,584

See accompanying notes to financial statements.

Approved on behalf of the Board:

Raymond Louie, Director



Patrice Impey, Director

	Budget (Note 1(i))	2016	2015
REVENUE:			
Events	$ 49,576,989	$ 48,838,377	$ 45,952,566
EXPENSES (NOTE 9):			
Office of the President	1,275,972	761,608	758,029
Media Relations	186,055	191,395	178,575
Entertainment	4,004,360	4,291,249	3,229,835
Sales	1,321,603	2,320,995	1,835,725
Group Sales	199,995	181,871	161,099
Exhibit Space	1,431,021	1,475,747	1,096,069
Finance	4,294,750	4,093,638	3,887,949
Information Service	1,054,936	1,048,203	973,285
Corporate Service	542,919	554,371	572,856
Marketing	1,664,934	1,410,498	1,226,730
Sponsorship	160,050	126,169	121,432
Advertising	2,301,300	2,218,890	2,203,961
Operations	965,524	909,788	869,098
Agriculture	759,859	706,350	807,623
Food & Beverage	5,931,221	6,003,195	5,583,464
Guest Services	429,094	414,996	384,508
Tech Services	6,027,527	6,048,956	5,824,047
Lotteries	3,292,864	3,163,407	3,322,003
Public Safety & Parking	2,874,814	3,081,592	2,941,660
Rides	3,206,772	2,840,385	2,995,709
Games	2,066,920	2,005,874	1,967,978
Playland Tech Services	3,764,790	3,764,737	3,583,998
Human Resources	1,310,763	1,108,996	1,024,335
	49,068,043	48,722,910	45,549,968
Annual surplus	508,946	115,467	402,598
Accumulated surplus, beginning of year	1,216,584	1,216,584	813,986
Accumulated surplus, end of year	$ 1,725,530	$ 1,332,051	$ 1,216,584

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
	(Note 1(i))		
Annual surplus	$ 508,946	$ 115,467	$ 402,598
Acquisition of tangible capital assets	-	(1,570,369)	(3,754,059)
Amortization of tangible capital assets	-	1,787,327	1,601,729
	508,946	332,425	(1,749,732)
Acquisition of inventories held for use	-	(3,714,296)	(4,046,739)
Increase in prepaid expense	-	(5,918,120)	(2,734,632)
Consumption of inventories held for use	-	3,629,322	4,029,838
Use of prepaid expense	-	4,561,486	1,436,409
	-	(1,441,608)	(1,315,124)
Decrease (increase) in net debt	508,946	(1,109,183)	(3,064,856)
Net debt, beginning of year	(19,829,742)	(19,829,742)	(16,764,886)
Net debt, end of year	$ (19,320,796)	$ (20,938,925)	$ (19,829,742)

See accompanying notes to financial statements.

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ 115,467	$ 402,598
Items not involving cash:		
Amortization of tangible capital assets	1,787,327	1,601,729
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	5,748	(44,646)
Increase in prepaid expenses	(1,356,634)	(1,298,223)
Increase in inventories held for use	(84,974)	(16,901)
Increase (decrease) in accounts payable and accrued liabilities	(875,513)	211,920
Increase (decrease) in deferred revenue	(663,333)	575,867
Net change in cash from operating activities	(1,071,912)	1,432,344
Capital activities:		
Cash used to acquire tangible capital assets	(1,570,369)	(3,754,059)
Financing activities:		
Increase (decrease) in bank indebtedness	(491,897)	412,869
Increase in bank loan	4,234,478	1,932,225
Principal payments on tangible capital lease obligations	-	(23,379)
Net change in cash from financing activities	3,742,581	2,321,715
Net change in cash	1,100,300	-
Cash, beginning of year	-	-
Cash, end of year	$ 1,100,300	$ -

See accompanying notes to financial statements.

AUTHORITY, PURPOSE AND NATURE OF OPERATIONS:

Pacific National Exhibition ("PNE") is a premier entertainment destination in the Province of British Columbia. It has four main activity streams: an annual 15 day fair, Playland amusement park, year-round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park.

PNE was established in 1910 and incorporated in 1973 under the Pacific National Exhibition Incorporation Act of the Province of British Columbia.

The mission of PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, PNE became wholly owned by the City of Vancouver and is an independently operated entity. As a result of its ownership, PNE is not subject to income taxes.

These financial statements have been prepared on the basis that the PNE is a going concern, which assumes that the PNE will continue to realize its assets and discharge its liabilities in the normal course of operations. The PNE's ability to continue as a going concern is dependent upon, among other things, achieving profitable operations and the continued support of its lenders and its parent, the City of Vancouver.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The financial statements of PNE have been prepared by management in accordance with Canadian Public Sector Accounting Board ("PSAB") standards of Chartered Professional Accountants of Canada.

(b) Revenue recognition:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event. Sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions with a designated purpose are deferred until used for the intended purpose. Government transfers are recognized as revenue in the period that the transfer is authorized by the transferring government, and eligibility criteria, if any, have been met by PNE, except when and to the extent that the transfer gives rise to a liability and is recognized as revenue when and in proportion to how the liability is settled.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Deferred revenue:

Amounts received in the fiscal year in advance of providing the related services are deferred and are recorded as revenue as the services are provided.

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises of ticket sales, fees, deposits and other revenues for events that are not recognized as revenue until the related event is held.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives shown below.

Asset	Basis	Rate
Machinery, furniture and equipment	Declining balance	10 - 30%
Playland rides and equipment	Straight-line	15 - 40 years
Playland rides under capital lease	Straight-line	15 - 40 years
Leasehold improvement	Declining balance	10 - 15%

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to PNE's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of cost and replacement cost.

Inventories are consisted of stores, plush toys, merchandise, and food and beverages. Cost is determined using the weighted average method. Cost of inventories includes acquisition and all costs incurred to deliver inventory to PNE's head office, including freight, non-refundable taxes, duties, and other landing costs.

Replacement cost is the estimated current price to replace the items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

PNE uses the following method and assumptions to estimate the fair value of each class of financial instruments:

(i) Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities — the carrying amounts approximate fair value due to the short term nature of these instruments.

(ii) Foreign currency hedge instrument — measured at current market price.

Unrealized changes in fair value are not recognized until they are realized, when they are recorded in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(f) Employee future benefits:

The PNE and its employees make contributions to Municipal Pension Plan (the "Plan") which is a multi-employer joint trusteed plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by entity, the plan is accounted for as a defined contribution plan and any contributions of PNE to the plan are expensed as incurred.

(g) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to useful life of tangible capital assets, valuation of accounts receivable, valuation of inventory and provision for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(h) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of operations.

(i) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Corporate Plan for 2015/2016 approved by the Board of Directors of PNE on March 30, 2015. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

2. DUE FROM/(TO) GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS:

Included in accounts receivable and accounts payable and accrued liabilities are the following amounts due from/to government:

	2016	2015
Accounts receivable:		
City of Vancouver	$ 4,513	$ 1,622
Sales tax rebates receivable	-	85,858
	4,513	87,480
Accounts payable and accrued liabilities:		
City of Vancouver	(19,759)	(19,193)
Payroll tax remittances	(111,820)	(90,995)
	(131,579)	(110,188)
	$ (127,066)	$ (22,708)

3. BANK LOAN:

	2016	2015
Demand operating loan	$ 10,566,000	$ 10,500,000
Demand instalment loan for capital	6,814,894	2,646,416
	$ 17,380,894	$ 13,146,416

3. BANK LOAN (CONTINUED):

PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of $14,560,000 (2015 - $16,400,000) in operating credit and $6,840,000 (2015 - $5,000,000) for instalment loan for capital purchases. The facilities bear interest at the bank prime rate and are due on demand. A general security agreement covering all assets and undertakings of PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totaling $160,000 (2015 - $160,000).

The bank loan is measured at fair value.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2016	2015
Accounts payables and accrued liabilities	$ 3,795,801	$ 4,841,024
Salaries and benefits payable	630,269	455,066
Accrued vacation pay	349,921	356,826
Other	10,001	8,589
	$ 4,785,992	$ 5,661,505

5. EMPLOYEE FUTURE BENEFITS:

Pension benefits:

PNE and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed pension plan. The Plan's Board of Trustees for these plans, representing plan members and employers, is responsible for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a defined benefit multi-employer contributory pension plan. The Plan has approximately 185,000 active members, of whom 179 are employees of PNE, and 80,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2012, indicated an unfunded liability of approximately $1,370 million for basic pension benefits. The next required valuation will be as at December 31, 2015, with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

PNE's employer contributions to the plans amounted to $911,561 in 2016 (2015 – $878,506).

6. TANGIBLE CAPITAL ASSETS:

Cost	Balance at March 31, 2015	Additions	Disposals	Transfers	Balance at March 31, 2016
Machinery, furniture and equipment	$ 16,992,456	$ -	$ -	$ 886,350	$ 17,878,806
Playland rides and equipment	20,088,290	-	-	2,954,516	23,042,806
Assets under construction	2,468,795	1,570,369	-	(3,840,866)	198,298
Total	$ 39,549,541	$ 1,570,369	$ -	$ -	$ 41,119,910

Accumulated amortization	Balance at March 31, 2015	Disposals	Amortization expense	Balance at March 31, 2016
Machinery, furniture and equipment	$ 10,375,968	$ -	$ 1,039,244	$ 11,415,212
Playland rides and equipment	11,264,515	-	748,083	12,012,598
Total	$ 21,640,483	$ -	$ 1,787,327	$ 23,427,810

	Net book value March 31, 2015	Net book value March 31, 2016
Machinery, furniture and equipment	$ 6,616,488	$ 6,463,594
Playland rides and Equipment	8,823,775	11,030,208
Assets under construction	2,468,795	198,298
Total	$ 17,909,058	$ 17,692,100

(a) Assets under construction:

Assets under constructiomn having a value of $198,298 (2015 - $2,468,795) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Writedown of tangible capital assets:

There are no writedown of tangible capital assets in the current year (2015 - nil).

7. FINANCIAL RISK MANAGEMENT:

PNE has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and foreign exchange risk.

The Board of Directors ensures that PNE has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to PNE if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by PNE consisting of amounts receivable.

It is management's opinion that PNE is not exposed to significant credit risk arising from its amounts receivable.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect PNE's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that PNE is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that PNE will not be able to meet its financial obligations as they become due.

PNE manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to PNE's reputation.

(d) Foreign exchange risk:

Foreign exchange risk is the risk to PNE's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. PNE may use foreign currency swaps to mitigate this risk.

8. COMMITMENTS AND CONTINGENT LIABILITIES:

(a) PNE may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business, in the event that any such claims or litigation are resolved against PNE, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of PNE. At March 31, 2016, there are no outstanding claims.

(b) On July 12, 2014, PNE's status as a registered charity under the Income Tax Act was revoked by the Canada Revenue Agency ("CRA"). As a result, PNE, as of that date, is no longer entitled to use the special GST reporting method for charities or issue donation receipts. Subsequent to July 12, 2014, the CRA has indicated that PNE may qualify for an annulment rather than a revocation. If the revocation is upheld, PNE would be assessed a revocation tax, which is comprised of 100% of PNE's assets after all debts and liabilities have been repaid. Under an annulment, no such tax would be incurred. The process is currently ongoing. Based on correspondance with the CRA, management is confident that PNE will ultimately be annulled and not revoked.

(c) During the year, PNE entered into a US dollar foreign exchange contract which expires on August 11, 2016. As of March 31, 2016, PNE is commited to purchase up to a maximum of USD $1,425,000 in the remaining time period of the contract depending on whether certain target foreign exchange rates are reached.

9. EXPENSES BY OBJECT:

The following is a summary of expenses by object:

	2016	2015
Cost of goods sold	$ 2,802,057	$ 2,645,687
General and administrative	22,384,702	19,984,777
Payroll	21,501,428	21,034,605
Amortization	1,787,327	1,601,729
Interest-bank loans	167,956	220,304
Interest-term finance	79,440	62,866
	$ 48,722,910	$ 45,549,968

10. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Pacific National Exhibition

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pne.ca